

# **Application**

**(Original)**

**Bartlett Asc, LLC  
Bartlett (Shelby Co.)**

**CN1806-026**



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243  
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

## CERTIFICATE OF NEED APPLICATION

### SECTION A: APPLICANT PROFILE

#### 1. Name of Facility, Agency, or Institution

Bartlett ASC, LLC

Name

7845 US Hwy 64

Street or Route

Bartlett

City

TN

State

Shelby

County

38133

Zip Code

Website address: www.uspi.com

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

#### 2. Contact Person Available for Responses to Questions

Kim H. Looney, Esq.

Name

Waller Lansden Dortch & Davis LLP

Company Name

511 Union Street, Suite 2700

Street or Route

Nashville

City

Attorney

Title

Attorney

Email address

TN

State

37219

Zip Code

Attorney

Association with Owner

615-850-8722

Phone Number

615-244-6804

Fax Number

#### NOTE:

**Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

## 1. SECTION A: EXECUTIVE SUMMARY

### A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

**Response:** The applicant is Bartlett ASC, LLC. Bartlett ASC received approval at the October, 2016 meeting of the HSDA for the initiation of outpatient surgery services and the establishment of an ambulatory surgical treatment center (CN1605-020A). Bartlett ASC requested and received an extension of time for the project in December 2017, for a period of one year. Since that time, the applicant has decided that a different site is more suitable for the location of the proposed ASTC. The old location was on Kate Bond Boulevard, at an address to be assigned, and the new location is at 7845 US Hwy 64, less than a half mile away, and only a little over 1,000 feet from SFH-Bartlett. The new location is on the third floor of an existing building. Therefore, the applicant is seeking approval for the change of site of a previously approved and unimplemented ASTC.

- 2) Ownership structure;

**Response:**

Applicant/Ownership Structure: The current member of Bartlett ASC, LLC, is USP Tennessee, Inc. ("USPT"). The parent company for these entities is United Surgical Partners International ("USPI"). USPI was founded in 1998, and is one of the prominent leaders in ambulatory surgery. USPI generally partners with physicians and health systems to own and operate ASTCs. USPI currently owns and operates over 280 short-stay ambulatory facilities where they serve more than 9,000 physicians and over one million patients each year. USPI maintains strategic joint-venture partnerships with more than 4,000 physicians and over 50 health systems nationwide. All of this is accomplished through a team of over 11,000 dedicated employees.

In Tennessee, USPI, or a related entity, has an ownership interest in 22 ASTCS and 1 specialty hospital. A list of these facilities is included in Attachment A, Executive Summary-2. Tenet purchased a controlling interest in USPI in 2015. As such, the structure of this ASTC is different than for those hospitals which are not ultimately owned by Tenet. In this situation, Saint Francis Hospital-Bartlett is not a direct owner of the Bartlett ASC, LLC. Instead, SFH-Bartlett will indirectly benefit from the establishment of this ASTC because the ultimate parent company of both Bartlett ASC, LLC and SFH-Bartlett is Tenet.

Facility/Services: The applicant proposes to relocate its previously approved unimplemented multi-specialty ASTC located on Kate Bond Boulevard to a new location at 7845 US Hwy 64, in Bartlett, a little over 1,000 feet from SFH-Bartlett. In Shelby County, there are 10 existing multi-specialty ASTCs. Two are owned by Campbell Clinic and limited to that physician group, and one is owned by and limited

to Semmes-Murphy. The remaining ASTCs are all affiliated with an area hospital, including the Surgery Center of Saint Francis, which is affiliated with SFH on Park Avenue..

3) Service area;

**Response:**

Service Area: The service area for the proposed ASTC includes portions of Shelby County as well as Fayette County. The zip codes that comprise the service area include 38134, 38002, 38135, 38016, 38133, 38128, 38053, 38127, 38068, 38060, 38018, 38122, 38108, 38028, and 38111. These zip codes are all included in the service area for SFH-Bartlett so it is reasonable to expect that an ASTC that is located in Bartlett would have a substantially similar service area. A map with these zip codes identified is included as Attachment C-Need-3.

4) Existing similar service providers;

**Response:** Existing Resources: There are no ASTCs in the entire proposed service area with the exception of North Surgery Center, which is located on the campus of and partially owned by Methodist North Hospital. North Surgery Center is generally used by those physicians who practice at Methodist North Hospital. Methodist closed its hospital in Fayette County in March, 2015. A significant number of those patients are choosing to receive care at SFH-Bartlett, which is the closest hospital. The population in this area is sufficient to support an ASTC and would allow residents to receive necessary surgery in a less restrictive setting than a hospital.

5) Project cost;

**Response:** The applicant anticipates leasing the ASTC space from 7845 Highway 64, LLC for a period of 10 years. The overall project costs are estimated to be approximately \$9.6M, which includes the net present value of the lease, the tenant improvements for the space, pre-opening expenses, working capital, and the equipment and furnishings necessary to operate the ASTC.

6) Funding;

**Response:** The applicant anticipates that part of the project will be funded from cash reserves and part will be a commercial loan.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

**Response:** The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive net income in year 2.

Staffing;

**Response:** The center will operate with 18.0 FTEs, 13.0 of which are clinical positions. Candidates are readily available from within the existing healthcare industry and the applicant's related facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and



engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

### **Rationale for Approval**

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

**Response:** The applicant feels this project is clearly needed to meet the health care needs of service area residents. There is no outpatient surgery center in the applicant's service area, with the exception of the one on the campus of Methodist North, which is used by physicians who practice at Methodist North. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is also a benefit, particularly for patients from the more rural areas, and elderly patients, who may have difficulty navigating a hospital campus.

The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. Many of the surgeries currently performed at The Surgery Center at Saint Francis, Saint Francis Hospital and SFH-Bartlett will be shifted to this surgery center, due to the type of surgery and/or convenience of the patients, which will be key to the success of the Bartlett ASC.

2) Economic Feasibility;

**Response:** The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive cash flow in year 2.

3) Appropriate Quality Standards; and

**Response:** USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, or improvements need to be made, USPI has the information and infrastructure to make improvements.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients that Received Antibiotics within One Hour
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Falls
- Medication Variance
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- All Transfers - ASC

4) Orderly Development to adequate and effective health care.

**Response:** There are no ASTCs in the applicant's service area. This area of Shelby County is one of the fastest growing areas of the county. The shift of outpatient procedures to a location more convenient to service area residents will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective manner and location. There is no duplication of services because there is currently no ASTC in the service area, with the exception of North Surgery Center, which is on the campus of Methodist North and generally used by physicians who practice at that location.

## **B. Consent Calendar Justification**

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

**Response:** Since this proposed project is for the relocation of a previously approved and unimplemented CON (CN1605-020A), and the project is substantially the same, the applicant would like to request to be on the consent calendar and has submitted a letter to Melanie Hill at the time of filing this application.

#### 4. SECTION A: PROJECT DETAILS

##### A. Owner of the Facility, Agency or Institution

Bartlett ASC, LLC		615-376-7330
Name		Phone Number
8 Cadillac Dr. Suite 200		Williamson
Street or Route		County
Brentwood	TN	37027
City	State	Zip Code

##### B. Type of Ownership of Control (Check One)

- |                                 |       |                              |       |
|---------------------------------|-------|------------------------------|-------|
| A. Sole Proprietorship          | _____ | F. Government (State of TN   | _____ |
| B. Partnership                  | _____ | or Political Subdivision)    | _____ |
| C. Limited Partnership          | _____ | G. Joint Venture             | _____ |
| D. Corporation (For Profit)     | _____ | H. Limited Liability Company | X     |
| E. Corporation (Not-for-Profit) | _____ | I. Other (Specify) _____     | _____ |

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

**Response:** See copy of entity information included as Attachment A-4A.

**Describe** the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

##### 5. Name of Management/Operating Entity (If Applicable)

USP Tennessee, Inc.		
Name		
15305 Dallas Parkway, Suite 1600		Dallas
Street or Route		County
Addison	TX	75001
City	State	Zip Code

Website address: www.uspi.com

**For new facilities or existing facilities** without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

**Response:** See Draft Management Agreement included as Attachment Section A-5.

**6A. Legal Interest in the Site of the Institution (Check One)**

- |                         |       |                    |          |
|-------------------------|-------|--------------------|----------|
| A. Ownership            | _____ | D. Option to Lease | <u>X</u> |
| B. Option to Purchase   | _____ | E. Other (Specify) | _____    |
| C. Lease of _____ Years | _____ |                    |          |

**Check appropriate line above:** For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

**Response:** See copy of Option to Lease and Deed included as Attachment A-6A.

**6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.**

- 1) Plot Plan **must include**:
  - a. Size of site (*in acres*);
  - b. Location of structure on the site;
  - c. Location of the proposed construction/renovation; and
  - d. Names of streets, roads or highway that cross or border the site.

**Response:** See plot plan included as Attachment 6B-1.

- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

**Response:** See floor plan included as Attachment 6B-2.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.**

**Response:** The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile. The location is very accessible by automobile; located less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile.

7. **Type of Institution** (Check as appropriate--more than one response may apply)

- |  |  |
|--|--|
| A. Hospital (Specify) _____  | I. Nursing Home _____                        |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <u>X</u> | J. Outpatient Diagnostic Center _____        |
| C. ASTC, Single Specialty _____  | K. Recuperation Center _____                 |
| D. Home Health Agency _____  | L. Rehabilitation Facility _____             |
| E. Hospice _____   | M. Residential Hospice _____                 |
| F. Mental Health Hospital _____  | N. Non-Residential Methadone Facility _____  |
| G. Mental Health Residential Treatment Facility _____                    | O. Birthing Center _____                     |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility (Specify) _____ |
|  | Q. Other (Specify) _____                     |

Check appropriate lines(s).

8. **Purpose of Review** (Check) as appropriate--more than one response may apply)

- |  |   |
|--|---|
| A. New Institution _____   | G. Change in Bed Complement _____   |
| B. Replacement/Existing Facility _____   | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] |
| C. Modification/Existing Facility _____  |   |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) _____ | H. Change of Location <u>X</u>  |
| E. Discontinuance of OB Services _____   | I. Other (Specify) _____  |
| F. Acquisition of Equipment _____  |   |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply]

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number: To be applied for

Medicaid Provider Number: To be applied for

Certification Type: ASC

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare X Yes \_\_\_\_\_ No \_\_\_\_\_ N/A      Medicaid/TennCare X Yes \_\_\_\_\_ No \_\_\_\_\_ N/A

## 10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	<i>Current Licensed</i>	<i>Beds Staffed</i>	<i>Beds Proposed</i>	<i>*Beds Approved</i>	<i>**Beds Exempted</i>	<i><u>TOTAL</u> <u>Beds at</u> <u>Completion</u></i>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
<b>TOTAL</b>						
*Beds approved but not yet in service      **Beds exempted under 10% per 3 year provision						

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. Response: Not applicable.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved

**11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**Response:** Not applicable.

## 12. Square Footage and Cost Per Square Footage Chart

**Response:** Not applicable

[illegible]

\* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

\*\* Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.



### 13. MRI, PET, and/or Linear Accelerator

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types: _____	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> MRI	Tesla: _____	Magnet: _____	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> PET	<input type="checkbox"/> PET only	<input type="checkbox"/> PET/CT	<input type="checkbox"/> PET/MRI <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____	
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		

\* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

**Response:** Not applicable.

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

**Response:** Not applicable.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

**Response:** Not applicable.

E. Identify the clinical applications to be provided that apply to the project.

**Response:** Not applicable.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

**Response:** Not applicable.

## **SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with T.C.A. § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care.” Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate “Not Applicable (NA).”***

### **QUESTIONS**

#### **NEED**

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency’s website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

### **AMBULATORY SURGICAL TREATMENT CENTERS**

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to establish or expand Ambulatory Surgical Treatment Centers (ASTCs). Existing ASTCs are not affected by these standards and criteria unless they take an action that requires a new certificate of need (CON) for the establishment or expansion of an ASTC.

These standards and criteria are effective immediately as of May 23, 2013, the date of approval and adoption by the Governor of the State Health Plan changes for 2013. Applications to establish or expand an ASTC that were deemed complete by the HSDA prior to this date shall be considered under the Guidelines for Growth, 2000 Edition.

#### **Assumptions in Determination of Need**

The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms
  - a. An operating room is available 250 days per year, 8 hours per day.

**Response:** The operating rooms will be available 250 days per year, 8 hours per day.

b. The estimated average time per Case in an Operating Room is 65 minutes.

**Response:** The applicant anticipates that the average time per case in an operating room will be 65 minutes or longer.

c. The average time for cleanup and preparation between Operating Room Cases is 30 minutes.

**Response:** The applicant anticipates that the average time for cleanup will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity.  $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$  divided by 95 minutes 884 Cases per year.

**Response:** The applicant anticipates that it will meet the standard of 884 Cases per year in the third year of operation.

## 2. Procedure Rooms

a. A procedure room is available 250 days per year, 8 hours per day.

**Response:** The procedure room will be available 250 days per year, 8 hours per day.

b. The estimated average time per outpatient Case in a procedure room is 30 minutes.

**Response:** The applicant anticipates that the average time per outpatient Case in a procedure room will be 30 minutes.

c. The average time for cleanup and preparation between Procedure Room Cases is 30 minutes.

**Response:** The applicant anticipates that the average time for cleanup and preparation between procedure room Cases will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity.  $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$  divided by 45 minutes = 1,867 Cases per year.

**Response:** The applicant anticipates meeting the standard of 1,867 cases per year in Year 2.

## Determination of Need

1. Need. The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

**Response:** The applicant anticipates having 2 operating rooms and 1 procedure room in the ASTC, with space shelled in for an additional operating room when utilization is sufficient to justify completing it for operation. The applicant anticipates that the ASTC will perform over 3,200 cases in the second full year of operation. The applicant anticipates that the average surgical case will take 65 minutes and a procedural case such as a pain management epidural procedure or gastroenterology will take 30 minutes. The room turnover for both types of cases is expected to take 30 minutes or less. The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed.. The orthopedic, general surgery, and neurosurgery/spinal procedures will be performed in an operating room and the gastroenterology and pain management procedures will be performed in a procedure room. Procedures performed in a procedure room are anticipated to take less time than the procedures performed in the operating rooms. Therefore, for the sake of cost and efficiency, for both the ASTC and the patients, it is important to have a separate procedure room in which they can be performed. It is also important to have more than one operating room so that the turnover time between surgeries can be minimized.

The number of cases projected for the first year of operation is a total of 1,659, with 609 being performed in the operating rooms and 1,050 being performed in the procedure room.

For the second year of operation, the applicant projects 1,183 surgical cases and 2,040 procedure room cases, for a total of 3,223.

According to the CON Guidelines, the optimal utilization for operating rooms is 884 cases per room and for procedure rooms it is 1,867 cases per room. With a projection of 1,183 cases for the 2 operating rooms in year 2, the applicant anticipates exceeding the guideline of 884 cases per room in the 3rd year of operation. For the procedure room, the applicant anticipates performing 2,040 cases in the procedure room, so it will exceed the Guideline of 1,867 cases in year 2 of its operation.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

**Response:** The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. In the first year of operation, the 1,659 projected cases are estimated to require 2,015 hours. In the second year of operation, the 3,223 projected cases are estimated to require 3,914 hours. These estimates are derived from the following assumptions: the average surgical case takes 65 minutes, the average procedural case takes 30 minutes, and room turnover for each takes 30 minutes or less.

#### Projected Surgical Hours

	Year 1			Year 2		
	Cases	Time/Case	Total Hours	Cases	Time/Case	Total Hours
Projected Surgical Cases	609	1:35	965	1,183	1:35	1,874
Projected Procedures	1,050	1:00	1,050	2,040	1:00	2,040
Total Cases	1,659			3,223		
Total Time in Hours			2,015			3,914

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available ) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**Response:** All of the existing multi-specialty ASTCs in Shelby County are either affiliated and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

Saint Francis Hospital added The Surgery Center of Saint Francis on its campus over ten years ago, which was after most of the other hospitals in Shelby County had added ASTCs to their campuses. SFH-Bartlett has been open for 14 years, and at the request of some of its doctors, the applicant is applying for the Bartlett ASC, LLC. This speaks to an orderly progression of the addition of outpatient surgical services. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for

patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is consistent with the State Health Plan and is particularly beneficial for elderly patients and patients from the more rural areas, who may have difficulty navigating a hospital campus.

As can be seen in the utilization in the tables below, for 2017, Campbell Clinic Surgery Center, Hamilton Eye Institute Surgery Center, Mays & Schnapp Pain Clinic & Rehabilitation Center, Methodist Surgery Center Germantown, Ridge Lake Ambulatory Surgery Center, Shea Clinic, The Surgery Center at Saint Francis, and Urocenter all operated at or above the standard of 884 cases per operating room. Those ASTCs operating above the 1,867 cases per procedure room included Campbell Clinic, Semmes-Murphy, GI Diagnostic and Therapeutic Center, Memphis Gastroenterology Endoscopy Center and Mid-South Gastroenterology Group. Facilities that perform a significant number of pain management and/or gastroenterology procedures would be expected to be above this minimum standard.

**Utilization of Operating and Procedure Rooms  
Shelby County 2017**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms</b>	<b>Cases Performed in all Operating Rooms</b>	<b>Cases per Room</b>	<b>Procedure Rooms</b>	<b>Cases Performed in all Procedure Rooms</b>	<b>Cases per Procedure Room</b>
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.



**Utilization of Operating and Procedure Rooms  
Shelby County 2016**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
<b>Baptist Germantown Surgery Center</b>	5	3,861	772	0	0	0
<b>Campbell Clinic Surgery Center</b>	4	3,322	831	1	3,466	3,466
<b>Campbell Clinic Surgery Center Midtown</b>	4	2,753	688	0	0	0
<b>East Memphis Surgery Center</b>	6	4,246	708	3	1,155	385
<b>Le Bonheur East Surgery Center II</b>	4	2,462	616	0	0	0
<b>Memphis Surgery Center</b>	4	1,686	422	1	0	0
<b>Methodist Surgery Center Germantown</b>	4	3,987	997	1	1,248	1,248
<b>North Surgery Center</b>	4	592	588	1	1,174	1,174
<b>Semmes-Murphey Clinic</b>	3	1,536	512	2	5,129	2,565
<b>Surgery Center at Saint Francis</b>	4	3,611	903	2	3,126	1,563
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
<b>Eye Care Surgery Center of Memphis</b>	2	1,551	776	1	0	0
<b>Germantown Ambulatory Surgical Center</b>	1	136	136	0	0	0
<b>GI Diagnostic and Therapeutic Center</b>	0	0	0	6	15,228	2,538
<b>Hamilton Eye Institute Surgery Center</b>	3	3,260	1,087	2	479	240
<b>Mays &amp; Schnapp Pain Clinic &amp; Rehabilitation Center</b>	2	4,395	2,198	0	0	0
<b>Memphis Center for Reproductive Health</b>	0	0	0	2	1,925	963
<b>Memphis Eye &amp; Cataract Ambulatory Surgical Center</b>	3	1,993	664	1	414	414
<b>Memphis Gastroenterology Endoscopy Center</b>	0	0	0	6	10,480	1,747
<b>Mid-South Gastroenterology Group</b>	1	0	0	3	7,737	2,579
<b>Mid-South Interventional Pain Institute</b>	0	0	0	2	3,360	1,680
<b>Planned Parenthood Greater Memphis Region</b>	0	0	0	2	1,881	941
<b>Radiosurgical Center of Memphis</b>	0	0	0	1	110	110
<b>Ridge Lake Ambulatory Surgery Center</b>	3	5,434	1,811	4	3,203	801
<b>Shea Clinic</b>	2	2,563	1,282	0	0	0
<b>Urocenter</b>	3	4,091	1,364	0	0	0
<b>Wesberry Surgery Center</b>	1	1,429	1,429	0	0	0
<b>Wolf River Surgery Center</b>	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

**Utilization of Operating and Procedure Rooms  
Shelby County 2015**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	3,811	762	0	0	0
Campbell Clinic Surgery Center	4	3,483	871	1	3,769	3,769
Campbell Clinic Surgery Center Midtown	4	1,323	331	0	0	0
East Memphis Surgery Center	6	4,190	698	3	1,151	394
Le Bonheur East Surgery Center II	4	4,108	1,027	0	0	0
Memphis Surgery Center	4	2,652	663	1	0	0
Methodist Surgery Center Germantown	4	3,943	986	1	1,252	1,252
North Surgery Center	4	2,351	588	1	1,339	1,339
Semmes-Murphey Clinic	3	1,570	523	2	4,712	2,356
Surgery Center at Saint Francis	4	5,288	1,322	2	1,118	559
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Endoscopy Center of the Mid-South	0	0	0	1	2,022	2,022
Eye Care Surgery Center of Memphis	2	0	0	1	1,206	1,206
Germantown Ambulatory Surgical Center	1	106	106	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,128	2,521
Hamilton Eye Institute Surgery Center	3	3,527	1,176	2	545	273
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,422	2,211	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	2,124	1,062
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,656	552	1	356	356
Memphis Gastroenterology Endoscopy Center	0	0	0	6	9,525	1,588
Mid-South Gastroenterology Group	0	0	0	3	7,506	2,502
Mid-South Interventional Pain Institute	0	0	0	2	2,728	1,364
Planned Parenthood Greater Memphis Region	0	0	0	2	3,311	1,656
Ridge Lake Ambulatory Surgery Center	2	4,493	2,247	4	2,448	612
Shea Clinic	2	2,263	1,132	0	0	0
Urocenter	3	3,648	1,216	0	0	0
Wesberry Surgery Center	1	1,500	1,500	0	0	0
Wolf River Surgery Center	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

**Response:** This proposal is consistent both with the applicant facilities long-range development plan as well as for Tenet, which is the controlling owner for USPI, and the ultimate parent entity for SFH-Bartlett.. As such it is also consistent with the long-range plans of the two Tenet hospitals in Shelby County - Saint Francis Hospital and SFH - Bartlett. Hospitals have to be competitive and provide services better, faster and cheaper. One way this is being carried out is for minimally invasive procedures to be moved out of the hospital setting to an ASTC, which is a lower cost provider.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-3.**

**Response:** Please see maps included as Attachment Section B, Need-3. Both a county map and a zip code map are included to identify the proposed service area.

Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**Response:** The Surgery Center at Saint Francis, located at 5959 Park Avenue, in front of Saint Francis Hospital, is owned by Saint Francis Surgery Center, LLC. The utilization at this surgery center for operating room surgical cases is the highest in Shelby County in 2017 at 1,093 cases per operating room. The applicant anticipates that a significant number of its outpatient surgical volume will come from the cases currently being performed at the Surgery Center of Saint Francis, partly because of the type of case it is and partly because some of the patients who are receiving services reside closer to the proposed Bartlett ASC site than the Surgery Center at Saint Francis. The shift of some of the surgical volume from the Surgery Center at Saint Francis will help the Surgery Center at Saint Francis to better manage its volume and allow service area residents to receive necessary surgery closer to home.

It is important to look at the market of multi-specialty surgery centers in Shelby County and note their ownership or affiliation. They are all either affiliated and/or owned by a hospital in the area, or limited to a particular physician group. Please see the table below.

### Affiliations of ASTCs in Service Area

	Affiliations
Baptist Germantown Surgery Center	Baptist Memorial Hospital
Campbell Clinic Surgery Center	Campbell Clinic Orthopaedics
Campbell Clinic Surgery Center Midtown	Campbell Clinic Orthopaedics
East Memphis Surgery Center	Baptist Memorial Hospital
Le Bonheur East Surgery Center II	Methodist Healthcare
Memphis Surgery Center	Baptist Memorial Hospital
Methodist Surgery Center Germantown	Methodist Healthcare
North Surgery Center	Methodist Healthcare
Semmes-Murphey Clinic	Semmes-Murphey Clinic Physicians
Surgery Center at Saint Francis	Saint Francis Hospital

The applicant anticipates that the surgery center will have the greatest impact on Saint Francis Hospital, The Surgery Center at Saint Francis, and SFH-Bartlett. The applicant anticipates that the ASTC should have little to no impact on other area ASTCs. As is shown in the table above, all of the multispecialty ASTCs in Shelby County are either affiliated with an existing hospital or limited to a particular physician group, as in the case of Campbell Clinic and Semmes-Murphey. As the applicant anticipates that the majority of its projected cases are expected to come from utilization of physicians who perform more of their cases at Saint Francis Hospital, Surgery Center at Saint Francis, and SFH-Bartlett, than at any other surgery center, it should have relatively little impact on the ASTCs that are affiliated with other hospital systems in Shelby County.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

**Response:** Not applicable. The ASTC is not applying for a Specialty ASTC. The applicant anticipates that orthopedic, pain management, neurosurgery/spinal, gastroenterology and general surgical procedures will be performed at the proposed ASTC upon its approval. It anticipates the list of specialties will expand after implementation of the ASTC. The applicant anticipates that it will need to expand these service offerings, as well as finish the shelled OR, based on demand in the service area.

## **Other Standards and Criteria**

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

**Response:** The majority of the population that is expected to receive services at this ASTC will be within 60 minutes driving time to the facility.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

**Response:** The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile.

The location is very accessible by automobile. The proposed site is less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile for the community.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** Please see attached tables for demographics of the service area.

**2016  
Bartlett ASC  
Service Area by Zip Code**

<b>Area ZIP Code</b>	<b>City</b>	<b>Current Population</b>
38134	Memphis	43,679
38002	Arlington	40,125
38135	Memphis	29,040
38016	Cordova	46,763
38133	Memphis	21,324
38128	Memphis	44,901
38053	Millington	26,875
38127	Memphis	44,131
38068	Somerville	9,750
38060	Oakland	9,901
38018	Cordova	37,107
38122	Memphis	24,546
38108	Memphis	18,918
38028	Eads	6,734
38111	Memphis	41,742
<b>TOTAL</b>		<b>445,536</b>

Source: 2012-2016 American Community Survey 5-Year Estimates

**Demographic Characteristics of Service Area by County**

<b>Demographic</b>	<b>Shelby County</b>	<b>Fayette County</b>	<b>Tennessee</b>
<b>Median Age – 2012-16 ACS</b>	35.1	47.7	38.5
<b>Age 65+ Population – 2018</b>	125,618	8,734	1,119,024
<b>% of Total Population</b>	13.3%	21.4%	16.5%
<b>Age 65+ Population – 2020</b>	133,579	9,479	1,189,428
<b>% of Total Population</b>	14.1%	22.6%	17.3%
<b>Median Household Income</b>	\$46,854	\$51,290	\$46,574
<b>TennCare Enrollees (4/18)</b>	245,409	6,895	1,432,475
<b>Percent of 2018 Population Enrolled in TennCare</b>	26%	16.9%	21.2%
<b>Persons Below Poverty Level (2018)</b>	196,471	5,774	1,100,169
<b>Persons Below Poverty Level as % of Population (US Census)</b>	21.4%	15%	17.2%

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** During the first year of operation, the applicant anticipates that it will take until the 4<sup>th</sup> quarter to be substantially ramped up. At that point and moving into the 2<sup>nd</sup> year of operation, it is anticipated that the surgeries performed will be evenly distributed across quarters.

**Bartlett ASC  
Projected Utilization for First Eight Quarters**

	Year 1	Year 2
1 <sup>st</sup> Quarter	79	805
2 <sup>nd</sup> Quarter	237	806
3 <sup>rd</sup> Quarter	553	806
4 <sup>th</sup> Quarter	790	806
<b>Total</b>	1,659	3,223

10. Patient Safety and Quality of Care: Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

**Response:** The applicant will seek accreditation through The Joint Commission. All of the USPI facilities are accredited by either The Joint Commission or the Accreditation Association of Ambulatory Health Care.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**Response:** The applicant anticipates initially credentialing approximately 4 orthopedic surgeons, 4 general surgeons, 2 gastroenterologists, and 1 neurosurgeon/spine/pain management specialist. Additionally, adequate anesthesiologists and CRNAs will be credentialed to manage and administer anesthesia services to the facilities' patients. Generally, an ASTC of this size would require the credentialing of approximately ten anesthesia providers that would practice at the center on a rotating basis. The facility plans to contract with pathologists to provide professional laboratory services to the center, as well as with a N/Aa radiologist to provide oversight to the center's radiological safety program.

The applicant anticipates having sufficient staff for the ASTC with RNs, surgical technologists and office staff.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

**Response:** While the proposed service area does not qualify as a medically underserved area, there is currently no ASTC in this service area, with the exception of North Surgery Center, which is located on the campus of Methodist North Hospital.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

**Response:** Not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

**Response:** The applicant will be contracted with all TennCare MCOs in the service area and will participate in the Medicare program.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

**Response:** The applicant anticipates that the procedures to be performed in the procedure room will take on average 30 minutes.



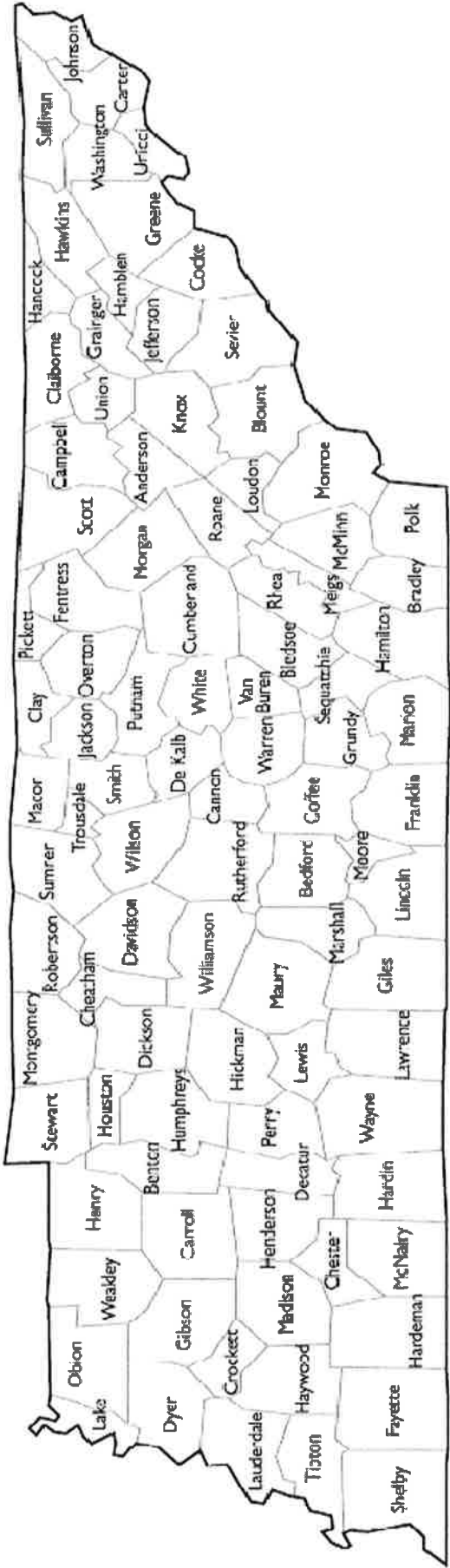
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	N/A	N/A
County #2	N/A	N/A
Etc.	N/A	N/A
Total	N/A	100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1 Shelby	1,288	77.6
County #2 Fayette	186	11.2
County #3 Other TN	114	6.9
Etc. Other state	71	4.3
Total	1,659	100%

- **Response:** The above tables show the projected utilization for the counties in the service area.

## County Level Map



A. 1) Describe the demographics of the population to be served by the proposal.

2) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/ Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population- Current Year 2018	Total Population- Projected Year 2020	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Fayette County	40,742	41,852	2.7%	N/A	N/A	N/A	N/A	44.4	\$55,972	5,774	15%	6,895	16.9%
Shelby County	942,648	950,532	0.8%	N/A	N/A	N/A	N/A	35.1	\$46,854	196,471	21.4%	245,409	26%
Service Area Total	983,390	992,384	0.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	352,304	35.8%
State of TN Total	6,769,368	6,883,347	1.7%	N/A	N/A	N/A	N/A	38.5	\$46,574	1,100,169	17.2%	1,432,475	21.2%

\* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**Response:** The Bartlett ASC anticipates being readily accessible to the service area population and will serve the elderly, women, racial and ethnic minorities, and low income groups.

#### **Demographic Characteristics of Service Area by County**

<b>Demographic</b>	<b>Shelby County</b>	<b>Fayette County</b>	<b>Tennessee</b>
<b>Age 65+ Population – 2018</b>	125,618	8,734	1,119,024
<b>% of Total Population</b>	13.3%	21.4%	16.5%
<b>Age 65+ Population – 2020</b>	133,579	9,479	1,189,428
<b>% of Total Population</b>	14.1%	22.6%	17.3%
<b>TennCare Enrollees (4/18)</b>	245,409	6,895	1,432,475
<b>Percent of 2018 Population Enrolled in TennCare</b>	26%	16.9%	21.2%
<b>Persons Below Poverty Level (2018)</b>	196,471	5,774	1,100,169
<b>Persons Below Poverty Level as % of Population (US Census)</b>	21.4%	15%	17.2%

- Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

**Response:** There are no ASTCs existing in Bartlett, nor are there any that have been approved but are unimplemented, other than this one. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period. The only ASTC in the entire service area is North Surgery Center, located on the campus of Methodist North Hospital. The following tables show utilization for ASTCs in Shelby County for the past three years.

**Utilization of Operating and Procedure Rooms  
Shelby County 2017**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms</b>	<b>Cases Performed in all Operating Rooms</b>	<b>Cases per Room</b>	<b>Procedure Rooms</b>	<b>Cases Performed in all Procedure Rooms</b>	<b>Cases per Procedure Room</b>
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

**Utilization of Operating and Procedure Rooms  
Shelby County 2016**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	3,861	772	0	0	0
Campbell Clinic Surgery Center	4	3,322	831	1	3,466	3,466
Campbell Clinic Surgery Center Midtown	4	2,753	688	0	0	0
East Memphis Surgery Center	6	4,246	708	3	1,155	385
Le Bonheur East Surgery Center II	4	2,462	616	0	0	0
Memphis Surgery Center	4	1,686	422	1	0	0
Methodist Surgery Center Germantown	4	3,987	997	1	1,248	1,248
North Surgery Center	4	592	588	1	1,174	1,174
Semmes-Murphey Clinic	3	1,536	512	2	5,129	2,565
Surgery Center at Saint Francis	4	3,611	903	2	3,126	1,563
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Eye Care Surgery Center of Memphis	2	1,551	776	1	0	0
Germantown Ambulatory Surgical Center	1	136	136	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,228	2,538
Hamilton Eye Institute Surgery Center	3	3,260	1,087	2	479	240
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,395	2,198	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1,925	963
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,993	664	1	414	414
Memphis Gastroenterology Endoscopy Center	0	0	0	6	10,480	1,747
Mid-South Gastroenterology Group	1	0	0	3	7,737	2,579
Mid-South Interventional Pain Institute	0	0	0	2	3,360	1,680
Planned Parenthood Greater Memphis Region	0	0	0	2	1,881	941
Radiosurgical Center of Memphis	0	0	0	1	110	110
Ridge Lake Ambulatory Surgery Center	3	5,434	1,811	4	3,203	801
Shea Clinic	2	2,563	1,282	0	0	0
Urocenter	3	4,091	1,364	0	0	0
Wesberry Surgery Center	1	1,429	1,429	0	0	0
Wolf River Surgery Center	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

**Utilization of Operating and Procedure Rooms  
Shelby County 2015**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
<b>Baptist Germantown Surgery Center</b>	5	3,811	762	0	0	0
<b>Campbell Clinic Surgery Center</b>	4	3,483	871	1	3,769	3,769
<b>Campbell Clinic Surgery Center Midtown</b>	4	1,323	331	0	0	0
<b>East Memphis Surgery Center</b>	6	4,190	698	3	1,151	394
<b>Le Bonheur East Surgery Center II</b>	4	4,108	1,027	0	0	0
<b>Memphis Surgery Center</b>	4	2,652	663	1	0	0
<b>Methodist Surgery Center Germantown</b>	4	3,943	986	1	1,252	1,252
<b>North Surgery Center</b>	4	2,351	588	1	1,339	1,339
<b>Semmes-Murphey Clinic</b>	3	1,570	523	2	4,712	2,356
<b>Surgery Center at Saint Francis</b>	4	5,288	1,322	2	1,118	559
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
<b>Endoscopy Center of the Mid-South</b>	0	0	0	1	2,022	2,022
<b>Eye Care Surgery Center of Memphis</b>	2	0	0	1	1,206	1,206
<b>Germantown Ambulatory Surgical Center</b>	1	106	106	0	0	0
<b>GI Diagnostic and Therapeutic Center</b>	0	0	0	6	15,128	2,521
<b>Hamilton Eye Institute Surgery Center</b>	3	3,527	1,176	2	545	273
<b>Mays &amp; Schnapp Pain Clinic &amp; Rehabilitation Center</b>	2	4,422	2,211	0	0	0
<b>Memphis Center for Reproductive Health</b>	0	0	0	2	2,124	1,062
<b>Memphis Eye &amp; Cataract Ambulatory Surgical Center</b>	3	1,656	552	1	356	356
<b>Memphis Gastroenterology Endoscopy Center</b>	0	0	0	6	9,525	1,588
<b>Mid-South Gastroenterology Group</b>	0	0	0	3	7,506	2,502
<b>Mid-South Interventional Pain Institute</b>	0	0	0	2	2,728	1,364
<b>Planned Parenthood Greater Memphis Region</b>	0	0	0	2	3,311	1,656
<b>Ridge Lake Ambulatory Surgery Center</b>	2	4,493	2,247	4	2,448	612
<b>Shea Clinic</b>	2	2,263	1,132	0	0	0
<b>Urocenter</b>	3	3,648	1,216	0	0	0
<b>Wesberry Surgery Center</b>	1	1,500	1,500	0	0	0
<b>Wolf River Surgery Center</b>	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** Please see the projected annual utilization for each of the two (2) years following completion of the project in the chart below.

**Projected Annual Utilization**

Specialty	Percentage of Cases	Year 1	Year 2
General Surgery	9%	158	306
Orthopedics	21%	347	673
Neurosurgery/spine	6%	105	204
Gastroenterology	57%	945	1,836
Pain Management	6%	105	204
<b>Total</b>	100%	1,659	3,223



## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

**Response:** Please see Project Costs chart.

- B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

**Response:** Please see the net present value of the total lease payments included on the project costs chart. It is the applicant's understanding that this represents the fair market value of the lease payments.

- C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

**Response:** Please see the costs for fixed and moveable equipment of \$2,919,831 included on the project costs chart.

Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

**Response:** Please note the ASTC will be located on the third floor of an existing building. While there are costs for tenant improvements to ensure the space is suitable for an ASTC, there are no construction costs.

- D. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
  - 1) A general description of the project;
  - 2) An estimate of the cost to construct the project;
  - 3) A description of the status of the site's suitability for the proposed project; and
  - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

**Response:** Please see the project costs chart on the following page. The building is an existing office building that will have space renovated to accommodate the new surgery center location. The executed Option to Lease between Bartlett ASC, LLC and 7845 Highway 64, LLC as Landlord and the Deed are included as Attachment A-6A.

## PROJECT COST CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	\$75,000
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$70,000
3. Acquisition of Site	
4. Preparation of Site	
5. Total Construction Costs	
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	\$2,919,831
9. Other (Specify) <u>Tenant Improvements</u>	\$3,093,777
10. Pre-Opening Expenses	\$479,683
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	\$1,945,418
2. Building only	
3. Land only	
4. Equipment (Specify) _____	
5. Other (Specify)	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify): <u>Working Capital</u>	\$1,000,000
D. Estimated Project Cost	
(A+B+C)	\$9,583,711.00
E. CON Filing Fee	\$55,106.34
F. Total Estimated Project Cost	
(D+E)	\$9,638,817.34
<b>TOTAL</b>	<b>\$9,638,817.34</b>

2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. **(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)**

☒ A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

☐ B. Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

☐ C. General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;

☐ D. Grants – Notification of intent form for grant application or notice of grant award;

☒ E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or

☐ F. Other – Identify and document funding from all other sources.

**Response:** The applicant will lease space for the ASTC which will be paid from current operating reserves. Other costs in the amount of approximately \$1,372,000 will be paid from cash reserves. Please see letter from CFO attesting to the availability of the necessary funds. The remaining funds of \$5.1M will be provided through a commercial loan. See Attachment C, Economic Feasibility-2.

3. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

*Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

## HISTORICAL DATA CHART

☐ Total Facility  
☐ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month). **Response:** Not Applicable.

	Year	Year	Year
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$	\$	\$
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____	_____
<b>Gross Operating Revenue</b>	\$	\$	\$
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	\$	\$
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
<b>Total Deductions</b>	\$	\$	\$
<b>NET OPERATING REVENUE</b>	\$	\$	\$
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	_____	_____	_____
b. Non-Patient Care	_____	_____	_____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Rent			
a. Paid to Affiliates	_____	_____	_____
b. Paid to Non-Affiliates	_____	_____	_____
5. Management Fees:			
a. Paid to Affiliates	_____	_____	_____
b. Paid to Non-Affiliates	_____	_____	_____
6. Other Operating Expenses	_____	_____	_____
<b>Total Operating Expenses</b>	\$	\$	\$
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	\$	\$	\$
F. Non-Operating Expenses			
1. Taxes	\$	\$	\$
2. Depreciation	_____	_____	_____
3. Interest	_____	_____	_____
4. Other Non-Operating Expenses	_____	_____	_____
<b>Total Non-Operating Expenses</b>	\$	\$	\$
<b>NET INCOME (LOSS)</b>	\$	\$	\$

*Chart Continues Onto Next Page*

**NET INCOME (LOSS)**

## G. Other Deductions

1. Annual Principal Debt Repayment
2. Annual Capital Expenditure

**Total Other Deductions****NET BALANCE****DEPRECIATION****FREE CASH FLOW (Net Balance + Depreciation)**

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

- ☐ Total Facility  
☐ Project Only

**HISTORICAL DATA CHART-OTHER EXPENSES****OTHER EXPENSES CATEGORIES**

1.

2.

3.

4.

5.

6.

8.

**Total Other Expenses**

Year

Year

Year

\$

\$

\$

\$

\$

\$

4. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

## PROJECTED DATA CHART

☒ Total Facility  
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	1,659	3,223
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$4,148,881	\$8,262,202
3. Emergency Services		
4. Other Operating Revenue (Specify)		
<b>Gross Operating Revenue</b>	<b>\$4,148,881</b>	<b>\$8,262,202</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$539,354	\$1,074,086
2. Provision for Charity Care		
3. Provisions for Bad Debt	\$108,286	\$215,643
<b>Total Deductions</b>	<b>\$647,640</b>	<b>\$1,299,729</b>
<b>NET OPERATING REVENUE</b>	<b>\$3,501,242</b>	<b>\$6,972,473</b>
D. Operating Expenses		
1. Salaries and Wages	\$1,009,344	\$1,386,166
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$788,550	\$1,578,001
4. Rent		
a. Paid to Affiliates	\$214,500	\$222,600
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates	\$175,062	\$348,624
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$893,226	\$866,704
<b>Total Operating Expenses</b>	<b>\$3,080,682</b>	<b>\$4,402,094</b>
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	<b>\$ 420,560</b>	<b>\$ 2,570,379</b>
F. Non-Operating Expenses		
1. Taxes	\$169,090	\$169,090
2. Depreciation	\$855,444	\$865,444
3. Interest	\$261,896	\$220,309
4. Other Non-Operating Expenses		
<b>Total Non-Operating Expenses</b>	<b>\$ 1,286,430</b>	<b>\$ 1,254,843</b>
<b>NET INCOME (LOSS)</b>	<b>(\$865,870)</b>	<b>\$1,315,536</b>

*Chart Continues Onto Next Page*

<b>NET INCOME (LOSS)</b>	<u>(\$865,871)</u>	<u>\$1,315,535</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	<u>\$</u>	<u>\$</u>
2. Annual Capital Expenditure	<u></u>	<u></u>
<b>Total Other Deductions</b>	<u>\$</u>	<u>\$</u>
<b>NET BALANCE</b>	<u>\$</u>	<u>\$</u>
<b>DEPRECIATION</b>	<u>\$</u>	<u>\$</u>
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	<u>\$</u>	<u>\$</u>

X ☐ Total Facility  
☐ Project Only

### PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2019</u>	<u>Year 2020</u>
1. Repairs and Maintenance	<u>\$166,000</u>	<u>\$174,500</u>
2. Purchased Equipment	<u>\$200,000</u>	<u>\$200,000</u>
3. Minor Equipment	<u>\$24,000</u>	<u>\$24,600</u>
4. Utilities	<u>\$135,000</u>	<u>\$138,375</u>
5. Non-Medical Supplies and Expenses	<u>\$300,000</u>	<u>\$230,625</u>
6. Professional Fees	<u>\$25,000</u>	<u>\$25,625</u>
7. Sales Exp.	<u>\$20,000</u>	<u>\$20,500</u>
8. Insurance	<u>\$23,226</u>	<u>\$46,479</u>
<b>Total Other Expenses</b>	<u>\$893,226</u>	<u>\$866,704</u>



5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,500.83	\$2,563.51	3%
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )	N/A	N/A	\$ 390.38	\$ 400.16	.5%
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,110.45	\$2,163.35	3%

**Response:** The applicant projects that the average gross charge for the first year of operation is \$2,550.83, and \$2,56.51 for the second year of operation.

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**Response:** Since this project is for the relocation of an approved, but unimplemented CON, there are no current charges and therefore no adjustment to current charges as a result of the implementation of the project.

- C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** USPI, or a related entity, has an ownership interest in 22 ASTCs in Tennessee and these charges are consistent with the charges at those facilities.

6. A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. **NOTE: Publicly held entities only need to reference their SEC filings.**

**Response:** The applicant expects to begin to have positive cash flow in Year 2, based on its projected utilization rate. The latest 10-Q for Tenet can be found at

- B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	.12	.37

- C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

**Response:**

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

**Response:**

**Applicant's Projected Payor Mix, Year 1**

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	497,866	12.0
TennCare/Medicaid	53,935	1.3
Commercial/Other Managed Care	3,551,442	85.6
Self-Pay	0	0
Charity Care	0	0
Other (Specify)___Bad Debt	45,638	1.1
Total	4,148,881	100.00

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

**Response:** Please see projected staffing and wages below.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>A. Direct Patient Care Positions</b>	Not applicable			
<i>Position 1: RN</i>		8.5	\$30.00/hr	\$27.02/hr
<i>Position 2 Techs</i>		3.5	\$25.00/hr	\$22.58/hr
<i>Position 3 MaterialsMgr</i>		1.0	\$22.00/hr	\$21.45/hr
<b>Total Direct Patient Care Positions</b>		13.0		

<b>B. Non-Patient Care Positions</b>	Not Applicable			
<i>Position 1: Adm</i>		1.0	\$100,000/yr	\$87,960/yr
<i>Position 2: Bus Office Mgr.</i>		1.0	\$50,000/yr	\$50,600/yr
<i>Position "etc.": Clerical</i>		3.0	\$13-20.00/hr	\$14.56/hr
<b>Total Non-Patient Care Positions</b>	5.0	5.0		
<b>Total Employees (A+B)</b>	18.0	18.0		
<b>C. Contractual Staff</b>	0			
<b>Total Staff (A+B+C)</b>	18.0	18.0		

9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- A. Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

**Response:** This project does not involve new construction. There are no viable alternatives to the provision of these necessary health care services other than the proposed facility. All of the existing multi-specialty ASTCs in Shelby County are either affiliated with and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing

suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

- B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

**Response:** This project does not involve new construction because the ASTC will be on the 3<sup>rd</sup> floor of an existing building.

## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

**Response:** The surgery center expects to contract with all predominate managed care insurers in the market including Blue Cross of Tennessee, United Healthcare, Cigna, and AETNA. The center will participate in the Medicare program and contract with Medicare Advantage Plans. The center will participate in the TennCare program and expects to contract with the West Tennessee TennCare Managed Care Organizations: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select. The applicant anticipates having transfer agreements with both Saint Francis Hospital and SFH-Bartlett.

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

### A. Positive Effects

**Response:** There are only positive effects as a result of this proposal. The shift of outpatient procedures to a more convenient location will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective location. There is no duplication of services because there is currently no ASTC in Bartlett .

### B. Negative Effects

**Response:** The only possible negative effects would be to The Surgery Center of Saint Francis, Saint Francis Hospital and SFH-Bartlett. As stated above, the positive effects to the service area residents outweigh any negative effects to these existing providers.

3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee

licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

**Response:** Candidates are readily available from within the existing healthcare industry and the Tenet facilities in Shelby County. The ASTC will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The Tenet facilities in Shelby County have a history of attracting qualified professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

- B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

**Response:** The applicant is familiar with all licensing and/or certification requirements as required by the State of Tennessee as well as the requirements for the Joint Commission.

- C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**Response:** The applicant does not plan to participate in the training of students; ASTCs do not generally participate in such training.

4. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

**Response:** The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. The applicant has reviewed and understands the relevant requirements.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

**Response:** The applicant will be Medicare certified. The applicant has reviewed and understands the relevant requirements.

Accreditation (i.e., Joint Commission, CARF, etc.):

**Response:** The applicant plans to seek accreditation from The Joint Commission. The applicant has reviewed and understands the relevant requirements.

- A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

**Response:** Not applicable.

- B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

**Response:** Not applicable.

- C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

**Response:** Not applicable.

- 1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

**Response:** Not applicable.

5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- A. Has any of the following:

- 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

**Response:** Not applicable.

- 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

- 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

**Response:** Not applicable.

- B. Been subjected to any of the following:

- 1) Final Order or Judgment in a state licensure action;

**Response:** Not applicable.

- 2) Criminal fines in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- 3) Civil monetary penalties in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- 4) Administrative monetary penalties in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- 5) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

**Response:** Not applicable.

- 6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

**Response:** Not applicable.

- 7) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

**Response:** Not applicable.

- 8) Is presently subject to a corporate integrity agreement.

**Response:** Not applicable.

6. Outstanding Projects:

- A. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

B.

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1605-020A	Bartlett ASC, LLC	10/26/16	12/1/2017	2/1/18	12/1/2019

\*Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

**Response:** Please see chart above. The current approved project will expire on December 1, 2019. The applicant will turn in that CON upon the approval of this project.

C. Provide a brief description of the current progress, and status of each applicable outstanding CON.

**Response:** The applicant does not anticipate implementing CN1605-020A, but will turn the certificate in upon the final approval of this project.

7. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? \_\_\_\_\_

**Response:** Not applicable.

B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

**Response:** Not applicable.

C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

**Response:** Not applicable.



## QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

**Response:** The applicant will report annually on measures and forms as prescribed by the Agency, pertaining to this CON if approved.

## STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning> ). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

**Response:** The addition of an ASTC in one of the fastest. growing areas of the state, when that is currently not an option for this area, will allow residents to receive necessary health care services in the least restrictive setting, making it easier and more convenient for residents which promotes the health of those Tennesseans and may improve their health outcomes over time.

USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, USPI has the information and infrastructure to improve.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients with a Perforation
- % of Patients that Received Antibiotics within One Hour
- % of Patients with Appropriate Hair Removal
- % Patients with VTE Risk Assessment
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Death Within the Facility
- Falls

- Medication Variance
- Risk - Total Burns with Harm
- Surgical Site Infection
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- Non-Emergent Transfer before Treatment
- Non-Emergent Transfer after Treatment
- Emergent Transfer Prior to Treatment
- Emergent Transfer After Treatment
- All Transfers - ASC

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

**Response:** Allowing citizens the option of an ASTC will improve access to outpatient surgical services. In addition, this proposed ASTC plans to contract with all payers, including private, TennCare and Medicare.

The entry into the market of a high quality, lower cost environment for outpatient surgical services will enable the referring physicians and the patients to have an additional alternative for outpatient surgical services.

The physicians carefully screen prospective patients to ensure that they are appropriate candidates for outpatient surgery at an ASTC. Prior to surgery, patients receive a pre-op phone call from the ASTC. After the patients have surgery, they are provided with discharge instructions. There is also a follow-up call post-op to ensure that the patient's surgical recovery is going well. The pre-op and post-op calls are made by a nurse of the ASTC and patients have the opportunity to ask questions and receive answers. USPI tracks these calls at other centers and has an 80-90% contact rate for these calls. At a minimum, every patient is left a message and asked to call the nurse back.

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

**Response:** The costs for outpatient surgical procedures in an ASTC are lower than those in a hospital. Currently many residents in the Bartlett area drive to the Surgery Center at Saint Francis, an ASTC alternative, that is not as convenient as the facility proposed, or receive surgery at Saint Francis Hospital or SFH-Bartlett, which are inpatient hospitals.

Because the cost of outpatient surgeries performed in an ASTC are less than the those performed in a hospital, economic efficiencies will be achieved for those patients who make the decision to have surgery in the proposed facility.

Physician offices are generally in charge of scheduling the outpatient surgical services for their patients. They generally provide information to the patients as to their options for a

facility to provide services. The approval of this ASTC will provide another option for patients and referring physicians.

4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

**Response:** Some of the quality measures identified above, can be used to assist health care providers in providing services in accordance with the highest professional standards. Because the applicant measures and keeps track of the quality of care provided at the ASTC as identified above, improvement in the quality of care provided by the health care workforce will be achieved.

5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

**Response:** The addition of an ASTC in this area of Shelby County, where none currently exists, will provide opportunities for employment for health care workers, including RNs, surgical technologists, and office staff.

Candidates are readily available from within the existing healthcare industry and the applicant's affiliated facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

## PROOF OF PUBLICATION

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.**

**Response:** Please see attached proof of publication which occurred in The Commercial Appeal on Sunday, June 10, 2018.

## NOTIFICATION REQUIREMENTS

**(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)**

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

## DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

## PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<b>Phase</b>	<b><u>Days Required</u></b>	<b><u>Anticipated Date [Month/Year]</u></b>
1. Initial HSDA decision date		August 2018
2. Architectural and engineering contract signed		November 2018
3. Construction documents approved by the Tennessee Department of Health	180	May 2019
4. Construction contract signed	30	June 2019
5. Building permit secured	30	July 2019
6. Site preparation completed	0	N/A
7. Building construction commenced	0	July 2019
8. Construction 40% complete	60	August 2019
9. Construction 80% complete	120	October 2019
10. Construction 100% complete (approved for occupancy)	150	November 2019
11. *Issuance of License		
12. *Issuance of Service		
13. Final Architectural Certification of Payment		December 2019
14. Final Project Report Form submitted (Form HR0055)		

\*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

**NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date**

**Attachment A, Executive Summary -2**

**Attachment A-4**

**USPI ASTC's in Tennessee**

## USPI Surgery Centers

### **Baptist Ambulatory Surgery Center**

312 21<sup>st</sup> Avenue North  
Suite 200, Creekside Crossing 111  
Nashville, TN 37236-0000  
Phone: (615) 321-7330  
Fax: (615) 320-5319

### **Baptist Plaza Surgicare**

2011 Church Street, Plaza I, Lower Level  
Lower Level Dock E, 21<sup>st</sup> Avenue  
Nashville, TN 37236  
Phone: (615) 515-4000  
Fax: (615) 515-4053

### **Chattanooga Pain Center**

1016 Executive Drive  
Hixson, TN 37343  
Phone: (423) 648-4525  
Fax: (423) 648-4626

### **Clarksville Surgery Center**

793 Weatherly Drive  
Clarksville, TN 37043  
Phone: (931) 542-2915  
Fax: (931) 648-1816

### **Eye Surgery Center of Nashville**

310 25<sup>th</sup> Avenue N. Suite 105  
Nashville, TN 37203  
Phone: (615) 329-9023  
Fax: (615) 329-1665

### **Franklin Endoscopy Center**

740 Cool Springs Blvd  
Ste. 210B  
Franklin, TN 37067-6450  
Phone: (615) 550-6066  
Fax: (615) 550-6069

### **Lebanon Endoscopy Center**

100 Physicians Way, Suite 340  
Lebanon, TN 37090  
Phone: (615) 466-9532  
Fax: (615) 466-9536

### **Middle Tennessee Ambulatory Surgery Center**

1800 Medical Center Parkway  
Suite 120  
Murfreesboro, TN 37129  
Phone: (615) 849-7500  
Fax: (615) 907-4020

### **Mid-State Endoscopy Center**

1115 Dow Street, Suite A  
Murfreesboro, TN 37130-2443  
Phone: (615) 848-9234  
Fax: (615) 893-3188

### **Mountain Empire Surgery Center**

601 Med Tech Parkway  
Suite 270  
Johnson City, TN 37604  
Phone: (423) 610-1020  
Fax: (423) 610-1021

### **Nashville EndoSurgery Center**

300 20<sup>th</sup> Avenue North  
Nashville, TN 37203  
Phone: (615) 284-1335  
Fax: (615) 284-1316

### **Northridge Surgery Center**

647 Myatt Drive  
Madison, TN 37115  
Phone: (615) 868-8942  
Fax: (615) 860-3820

### **Parkwest Surgery Center**

9430 Parkwest Boulevard  
Suite 210  
Knoxville, TN 37923  
Phone: (865) 531-0494  
Fax: (865) 531-0554

### **Patient Partners Surgery Center**

890 North Blue Jay Way  
Gallatin, TN 37066  
Phone: (615) 575-9000  
Fax: (615) 575-9007

**Physicians Pavilion Surgery Center**

545 Stonecrest Parkway  
Smyrna, TN 37167  
Phone: (615) 220-3720  
Fax: (615) 459-9483

**Physician's Surgery Center of Chattanooga**

924 Spring Creek Road  
Chattanooga, TN 37412  
Phone: (423) 899-1600  
Fax: (423) 899-2171

**Physician's Surgery Center of Knoxville**

1819 Clinch Avenue  
Suite 206  
Knoxville, TN 37916-2435  
Phone: (865) 522-2949  
Fax: (865) 637-3259

**Providence Surgery Center**

5002 Crossing Circle, Suite 110  
Mt. Juliet, TN 37122  
Phone: (615) 553-9100  
Fax: (615) 553-9109

**Saint Francis Surgery Center**

5999 Park Avenue  
Memphis, TN 38119

**Saint Thomas Surgicare**

4230 Harding Pike Road  
Medical Plaza East  
Suite 300  
Nashville, TN 37205  
Phone: (615) 783-1260  
Fax: (615) 783-1261

**The Hospital for Spinal Surgery**

2011 Murphy Ave  
Suite 200, Creekside Crossing 111  
Nashville, TN 37203  
Phone: (615) 341-7500  
Fax: (615) 341-7513

**Tullahoma Surgery Center**

725 Kings Lane  
Tullahoma, TN 37388  
Phone: (931) 455-1976  
Fax: (931) 455-7122

**Upper Cumberland Physician Surgery Center**

467 North Whitney Avenue  
Cookeville, TN 38501  
Phone: (931) 528-5007  
Fax: (931) 528-5030



**Attachment A-4**

**Organizational Documents**

**Organizational Chart**



**Tre Hargett**  
Secretary of State

**Division of Business Services**  
**Department of State**  
State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

WALLER LANSDEN  
ANN K. RICH  
STE 2700  
511 UNION ST  
NASHVILLE, TN 37219-1791

**Request Type: Certified Copies**

Request #: 280076

Issuance Date: 06/15/2018

Copies Requested: 1

**Document Receipt**

Receipt #: 004135074

Filing Fee: \$20.00

Payment-Check/MO - WALLER LANSDEN, NASHVILLE, TN

\$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **Bartlett ASC, LLC**, Control # 846552 was formed or qualified to do business in the State of Tennessee on 05/02/2016. Bartlett ASC, LLC has a home jurisdiction of TENNESSEE and is currently in an Active status. The attached documents are true and correct copies and were filed in this office on the date(s) indicated below.

Tre Hargett  
Secretary of State

Processed By: Nichole Hambrick

The attached document(s) was/were filed in this office on the date(s) indicated below:

<u>Reference #</u>	<u>Date Filed</u>	<u>Filing Description</u>
B0230-4569	05/02/2016	Initial Filing
B0356-1355	03/02/2017	2016 Annual Report (Due 04/01/2017)
*B0478-4994	01/26/2018	Registered Agent Change (by Agent)
B0502-6643	02/23/2018	2017 Annual Report (Due 04/01/2018)

# ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY (ss-4270)

Page 1 of 2



Business Services Division  
**Tre Hargett, Secretary of State**  
**State of Tennessee**

312 Rosa L. Parks AVE, 6th Fl.  
Nashville, TN 37243-1102  
(615) 741-2286

Filing Fee: \$50.00 per member  
(minimum fee = \$300, maximum fee = \$3,000)

For Office Use Only

The Articles of Organization presented herein are adopted in accordance with the provisions of the Tennessee Revised Limited Liability Company Act.

1. The name of the Limited Liability Company is: Bartlett ASC, LLC

(NOTE: Pursuant to the provisions of T.C.A. §48-249-106, each Limited Liability Company name must contain the words "Limited Liability Company" or the abbreviation "LLC" or "L.L.C.")

2. Name Consent: (Written Consent for Use of Indistinguishable Name)

☐ This entity name already exists in Tennessee and has received name consent from the existing entity.

3. This company has the additional designation of: \_\_\_\_\_

4. The name and complete address of the Limited Liability Company's initial registered agent and office located in the state of Tennessee is:

Name: CT Corporation System

Address: 800 S. Gay Street, Suite 2021

City: Knoxville State: TN Zip Code: 37929 County: Knox

5. Fiscal Year Close Month: 12/31

6. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is: (Not to exceed 90 days)

Effective Date: Month / Day / Year Time: \_\_\_\_\_

7. The Limited Liability Company will be: ☐ Member Managed ☐ Manager Managed ☒ Director Managed

8. Number of Members at the date of filing: 1

9. Period of Duration: ☒ Perpetual ☐ Other Month / Day / Year

10. The complete address of the Limited Liability Company's principal executive office is:

Address: 8 Cadillac Drive, Suite 200, Creekside Crossing III

City: Brentwood State: TN Zip Code: 37027 County: Williamson

# ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY

(ss-4270)

Page 2 of 2



Business Services Division  
Tre Hargett, Secretary of State  
State of Tennessee

312 Rosa L. Parks AVE, 6th Fl.  
Nashville, TN 37243-1102  
(615) 741-2286

Filing Fee: \$50.00 per member  
(minimum fee = \$300, maximum fee = \$3,000)

For Office Use Only

The name of the Limited Liability Company is: Bartlett ASC, LLC

11. The complete mailing address of the entity (if different from the principal office) is:

Address: 15305 Dallas Parkway, Suite 1600

City: Addison

State: Texas

Zip Code: 75001

12. Non-Profit LLC (required only if the Additional Designation of "Non-Profit LLC" is entered in section 3.)

- ☐ I certify that this entity is a Non-Profit LLC whose sole member is a nonprofit corporation, foreign or domestic, incorporated under or subject to the provisions of the Tennessee Nonprofit Corporation Act and who is exempt from franchise and excise tax as not-for-profit as defined in T.C.A. §67-4-2004. The business is disregarded as an entity for federal income tax purposes.

13. Professional LLC (required only if the Additional Designation of "Professional LLC" is entered in section 3.)

- ☐ I certify that this PLLC has one or more qualified persons as members and no disqualified persons as members or holders.

Licensed Profession: \_\_\_\_\_

14. Series LLC (required only if the Additional Designation of "Series LLC" is entered in section 3.)

- ☐ I certify that this entity meets the requirements of T.C.A. §48-249-309(a) & (b)

15. Obligated Member Entity (list of obligated members and signatures must be attached)

- ☐ This entity will be registered as an Obligated Member Entity (OME)

Effective Date: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Month Day Year

- ☐ I understand that by statute: THE EXECUTION AND FILING OF THIS DOCUMENT WILL CAUSE THE MEMBER(S) TO BE PERSONALLY LIABLE FOR THE DEBTS, OBLIGATIONS AND LIABILITIES OF THE LIMITED LIABILITY COMPANY TO THE SAME EXTENT AS A GENERAL PARTNER OF A GENERAL PARTNERSHIP. CONSULT AN ATTORNEY.

16. This entity is prohibited from doing business in Tennessee:

- ☐ This entity, while being formed under Tennessee law, is prohibited from engaging in business in Tennessee.

17. Other Provisions: \_\_\_\_\_

4/29/14  
Signature Date

Wendy Beard  
Signature

\_\_\_\_\_  
Signer's Capacity (if other than individual capacity)

Wendy Beard  
Name (printed or typed)



05631437

**Tennessee Limited Liability Company Annual Report Form**

AR Filing #: 05631437

File online at: <http://TNBear.TN.gov/AR>

FILED: Mar 2, 2017 2:06PM

Due on/Before: 04/01/2017

Reporting Year: 2016

**Annual Report Filing Fee Due:**

\$300 minimum plus \$50 for each member over 6 to a maximum of \$3000

\$20 additional if changes are made in block 3 to the registered agent/office

This Annual Report has been successfully paid for and filed. Please keep this report for your records.

**Payment-Credit Card - State Payment Center - CC #: 3696359134****SOS Control Number:** 846552

Limited Liability Company - Domestic

Date Formed: 05/02/2016

Formation Locale: TENNESSEE

**(1) Name and Mailing Address:**Bartlett ASC, LLC  
WENDY BEARD  
STE 1600  
15305 DALLAS PKWY  
ADDISON, TX 75001-6491**(2) Principal Office Address:**STE 200  
8 CADILLAC DR  
BRENTWOOD, TN 37027-5316**(3) Registered Agent (RA) and Registered Office (RO) Address:**C T CORPORATION SYSTEM  
STE 2021  
800 S GAY ST  
KNOXVILLE, TN 37929-9710Agent Changed: No

Agent County: KNOX COUNTY

(4) This LLC is (as currently registered in Tennessee): ☒ Director Managed, ☐ Manager Managed, ☐ Member Managed, ☐ Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent). If governed by the pre-2006 LLC act and board managed, list board members and managers.

Name	Business Address	City, State, Zip
USP Tennessee, Inc.	15305 DALLAS PARKWAY SUITE 160 STE 200	ADDISON, TX 75001

(5) Provide the names and business addresses, including zip codes, of any LLC Officers (if governed by the Revised LLC Act), or their equivalent.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed: 1☐ This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: Electronic

(8) Date: 03/02/2017

(9) Type/Print Name: Wendy Beard

(10) Title: Authorizes Agent

B0356-1355 03/02/2017 2:06 PM Received by Tennessee Secretary of State Tre Hargett



SECRETARY OF STATE  
DIVISION OF BUSINESS SERVICES  
312 Rosa L. Parks Avenue  
6<sup>th</sup> Floor, William R. Snodgrass Tower  
Nashville, TN 37243

**MASS CHANGE OF REGISTERED OFFICE (BY AGENT)**

Pursuant to the provisions of Sections 48-15-102 and 48-25-108 of the Tennessee Business Corporation Act, Sections 48-55-102 and 48-65-108 of the Tennessee Nonprofit Corporation Act, Section 48-208-102 of the Tennessee Limited Liability Company Act, Section 48-249-110 of the Tennessee Revised Limited Liability Company Act, Sections 61-2-104 and 61-2-904 of the Tennessee Revised Uniform Limited Partnership Act, and Section 61-1-1002 of the Tennessee Revised Uniform Partnership Act, the undersigned registered agent hereby submits this application to change its business address and the registered office address of the businesses noted below:

1. The names of the affected corporations, limited liability companies, limited partnerships and limited liability partnerships are identified in the attached list by their S.O.S. control numbers, which list is incorporated herein by reference.

2. The street address of its current registered office of record is:

As shown on the attached report.

3. The name of the registered agent is:

C T Corporation System

4. The street address (including county) of the new registered office in Tennessee is:

300 Montvue RD

Street

Knoxville

37919-5546 Knox

City

Zip

County

5. After the change, the street addresses of the registered office and the business office of the registered agent will be identical.
6. The corporations, limited liability companies, limited partnerships and limited liability partnerships identified in the attached list have been notified of the change of address for the registered office.

1/17/18

**Signature Date**

Marie Hauer

**Signature of Registered Agent**

Marie Hauer, Asst. Secretary

**Printed or Typed Name**

January 26, 2018

**Agent #:** 0307995

**Agent Name:** C T CORPORATION SYSTEM

**Address:**

800 S GAY ST

STE 2021

KNOXVILLE, TN 37929-9710

C T CORPORATION SYSTEM submitted this Mass Registered Agent Change in order to change their address as listed above effective on January 26, 2018. The request is applied to all ACTIVE entities represented as of January 8, 2018.

This entity met that criteria and should have its agent address changed to 300 MONTVUE RD, KNOXVILLE TN 37919-5546.

B0478-4995 01/26/2018 3:45 PM Received by Tennessee Secretary of State Tre Hargett



06110553

**Tennessee Limited Liability Company Annual Report Form**

AR Filing #: 06110553

File online at: <http://TNBear.TN.gov/AR>

FILED: Feb 23, 2018 4:25PM

Due on/Before: 04/01/2018

Reporting Year: 2017

**Annual Report Filing Fee Due:**

\$300 minimum plus \$50 for each member over 6 to a maximum of \$3000

\$20 additional if changes are made in block 3 to the registered agent/office

This Annual Report has been successfully paid for and filed. Please keep this report for your records.

**Payment-Credit Card - State Payment Center - CC #: 3722637284****SOS Control Number:** 846552

Limited Liability Company - Domestic

Date Formed: 05/02/2016

Formation Locale: TENNESSEE

**(1) Name and Mailing Address:**Bartlett ASC, LLC  
WENDY BEARD  
STE 1600  
15305 DALLAS PKWY  
ADDISON, TX 75001-6491**(2) Principal Office Address:**STE 200  
8 CADILLAC DR  
BRENTWOOD, TN 37027-5316**(3) Registered Agent (RA) and Registered Office (RO) Address:**C T CORPORATION SYSTEM  
300 MONTVUE RD  
KNOXVILLE, TN 37919-5546Agent Changed: No

Agent County: KNOX COUNTY

(4) This LLC is (as currently registered in Tennessee): ☒ Director Managed, ☐ Manager Managed, ☐ Member Managed, ☐ Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent). If governed by the pre-2006 LLC act and board managed, list board members and managers.

Name	Business Address	City, State, Zip
USP Tennessee, Inc.	15305 DALLAS PARKWAY SUITE 160 STE 200	ADDISON, TX 75001

(5) Provide the names and business addresses, including zip codes, of any LLC Officers (if governed by the Revised LLC Act), or their equivalent.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed: 1☐ This LLC is prohibited from doing business in Tennessee (check if applicable)

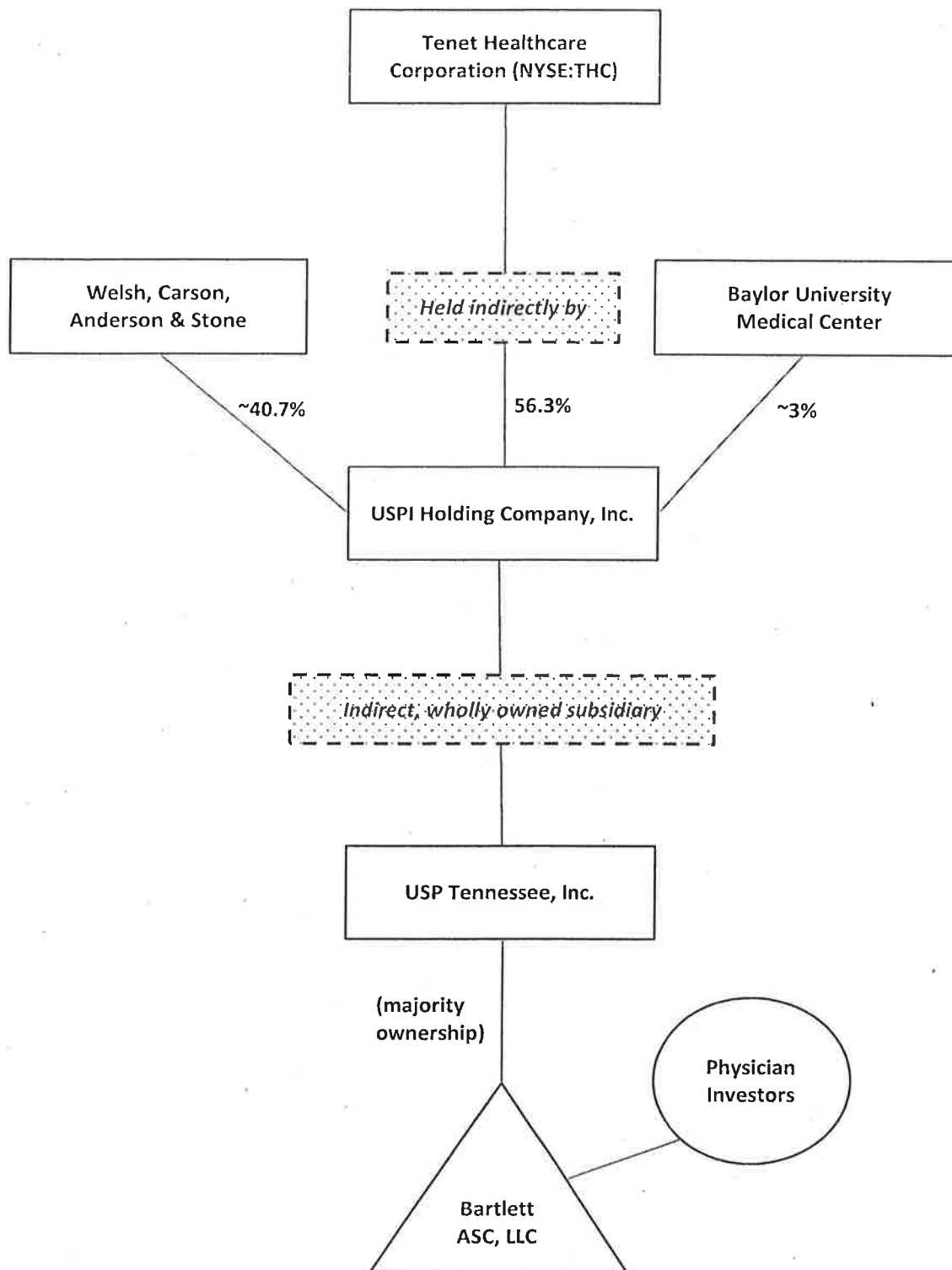
(7) Signature: Electronic

(8) Date: 02/23/2018

(9) Type/Print Name: Wendy Beard

(10) Title: Authorized Agent





## **Attachment A-5**

### **Draft Management Agreement**

**MANAGEMENT AGREEMENT**  
( \_\_\_\_\_ Surgery Center)

This Management Agreement ("Agreement") is made and entered into effective as of this \_\_\_\_ day of \_\_\_\_\_, 201\_ ("Effective Date") by and between USP \_\_\_\_\_, Inc., a \_\_\_\_\_ corporation ("Manager"), and \_\_\_\_\_, [LLC] [L.P.], a \_\_\_\_\_ limited [liability company] [partnership] (the "Company"), with reference to the following facts:

**R E C I T A L S**

A. Manager owns an interest in the Company.

B. The Company is [developing] [acquiring] and will operate [an ambulatory surgery center] [a surgical hospital] [to be] known as \_\_\_\_\_, located at \_\_\_\_\_, \_\_\_\_\_ (the "Surgery Center") [, pursuant to a **Contribution and Purchase Agreement**, dated \_\_\_\_\_, 20\_\_ (the "**Purchase Agreement**")].

C. In accordance with Section \_\_\_\_ of the [**Limited Partnership**] [**Operating**] Agreement of the Company, Manager and the Company desire to enter into an agreement whereby Manager will manage the Surgery Center for the Company.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, intending to be legally bound, the Company and Manager hereby agree as follows:

**A G R E E M E N T**

**1. Management Services.**

(a) The Company hereby engages Manager, and Manager hereby accepts the engagement, to provide day-to-day management services to and for the Surgery Center, subject to oversight and control by the Company as provided in Section 1(k) below. Such services shall include but are not limited to financial and operating system management, preparation of proposed annual budgets, purchasing, managed care relationships, expansion of the Surgery Center or its services, preparation of staffing plans, recruitment of personnel and medical staff and general supervision of the day-to-day operations of the Surgery Center. In addition, Manager shall consult with the Company regarding the development of an ongoing advertising and promotion program to be implemented by the Surgery Center at the Company's sole cost and expense, it being intended that Manager shall not directly or indirectly provide marketing for the Surgery Center or bring patients or induce referrals to the Surgery Center. In this regard, Manager and the Company will consider from time to time including the Surgery Center in the business development program of Manager's affiliate, United Surgical Partners International, Inc. ("Parent"). If the Surgery Center is included in this program, the Surgery Center will be responsible for the incremental cost associated with the program.

(b) In carrying out its duties, Manager shall have authority over charges, cash flow, planning, accounts receivable and third party payor reimbursements. Manager shall have the further authority and responsibility to manage all of the departments of the Surgery Center, establish charge schedules and promulgate personnel policies, including but not limited to qualifications and criteria for hiring and discharge of personnel; provided, however, that all medical and professional matters shall be the responsibility of the Company, the Medical Director and medical staff of the Surgery Center.

(c) Manager shall do or cause to be done all acts, procedures, authorizations and any and all other matters necessary, appropriate or related to obtaining and maintaining all necessary licenses, permits, provider numbers and approvals from all regulatory authorities having jurisdiction over the Surgery Center and/or its operations and accreditation by The Joint Commission, Accreditation Association for Ambulatory Health Care ("AAAH") or other accrediting agencies designated by the Company.

(d) Manager shall maintain one or more local bank accounts for the Company in which it shall deposit the receipts from the business of the Surgery Center. Manager shall be entitled to make withdrawals from such account to pay authorized Surgery Center expenses, including payments to Manager in accordance with Section 3 hereof. The handling of receipts and disbursements with respect to such bank accounts shall be in accordance with customary business practices. Manager shall be entitled to invest such funds in connection with any cash management system employed by Parent (or its affiliate) on behalf of its affiliated surgery centers.

(e) Manager shall design, institute, supervise and from time to time revise and amend management, operational, financial and informational systems in order to conduct the physical and administrative operations of the Surgery Center, including but not limited to those required for billing and collection of charges, accounting and purchasing. Manager shall cause to be prepared and submitted in a proper manner and in a timely fashion any cost reports required to be submitted pursuant to the requirements of third party payors or any authority having jurisdiction over the Surgery Center.

(f) In accordance with applicable law, Manager shall negotiate and consummate agreements and contracts for and on behalf of the Surgery Center in the usual course of business, including without limitation managed care contracts (subject to pricing parameters established by the Company), radiology, laboratory and anesthesia contracts and contracts of insurance pursuant to the master insurance policies and programs maintained by Parent for its affiliated surgery centers. All such insurance policies shall name as insured parties the Company, Manager and such other persons as may be requested by the Company. Manager shall promptly notify the Company of all actual or threatened legal claims or actions affecting the Company and shall coordinate all legal matters and proceedings with counsel for the Company.

(g) Subject to the terms of the Operating Agreement, Manager, Parent or one of their affiliates shall locate, select and hire (or cause to be hired by or through an affiliate, which may include the Company), all Surgery Center personnel. All such personnel shall participate in and be

compensated through the employee benefit programs and payroll systems established from time to time by or for the benefit of Parent. All Surgery Center personnel shall be supervised by Manager as provided herein, regardless of the entity that is the employer.

(h) Manager will make available to the Surgery Center programs and assistance that are generally made available by Parent to its affiliated surgery centers, including cash management programs, business office management, legal assistance from Parent's in-house attorneys, Parent's EDGE [TM] quality monitoring and assurance program, patient grievance programs, performance measurement systems, practice improvement programs, compliance plans for government regulations (including Medicare and the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 and regulations promulgated thereunder by the U.S. Department of Health and Human Services ("HIPAA")) and other similar programs. The services above are generally included in the management fee payable to Manager pursuant to Section 3. Parent shall be entitled to charge the Company for incremental programs and systems on the same basis that it charges other affiliated surgery centers that are not wholly owned by Parent. These services may include the Kronos management clock, approved services contracted to third parties, group-purchased services such as liability insurance, IT hosting fees, some types of approved staff training, association dues and certain satisfaction surveys.

(i) Manager shall undertake all of its obligations and duties hereunder for the account of the Company and not for the account of Manager, and Manager shall have no responsibility or liability for performing any duties that involve making payments or incurring expenses unless the Company makes adequate funds available therefor. In carrying out its duties hereunder, Manager shall be an independent contractor and shall not be subject to any right of control, or any control in fact, of the Company over the methods by which it carries out its duties. Neither this Agreement nor the exercise of any of the duties of Manager hereunder shall be deemed to create any partnership, joint venture, association or other relationship between the parties hereto other than that of independent contractors each as to the other.

(j) Manager shall have the right to act as the agent of the Company and/or the Surgery Center in the procuring of licenses, permits and other approvals, the payment and collection of accounts and in all other activities necessary or useful to Manager in the carrying out of its duties as specified in this Agreement.

(k) Anything in this Section 1 to the contrary notwithstanding, Manager expressly acknowledges and agrees that the Company at all times during the term of this Agreement shall exercise the ultimate control and direction of the operations of the Surgery Center. Manager shall operate within any reasonable parameters, policies and procedures adopted by the Company and communicated to Manager by the Company, so long as such parameters, policies and procedures do not, in Manager's reasonable judgment, jeopardize the quality of patient care provided at the Surgery Center or require Manager or the Company to engage in any illegal or unethical acts.

## 2. Term; Termination.

(a) Term of Agreement. The term of this Agreement shall commence on the date first above written and, unless sooner terminated as provided in this Section 2, shall continue in effect so long as Manager or an affiliate of Manager or an assignee permitted by Section 10 continues to be an owner in the Company.

(b) Termination Upon the Mutual Agreement of the Parties. This Agreement may be terminated at any time upon the mutual agreement of Manager and the Company.

(c) Termination for Default. This Agreement may be terminated in the event of a Default (as defined in Section 8 hereof) by one party, subject to any applicable cure period, upon the nondefaulting party giving written notice of termination to the defaulting party.

## 3. Management Fee.

(a) As Manager's fee for its management services hereunder, Manager shall receive monthly an amount equal to [seven] percent of the net revenues of the Surgery Center during such month (or the portion thereof during which this Agreement is in effect). For purposes of this Section 3, "net revenues" shall be the Surgery Center's gross revenues from the delivery of medical and facility services at the Center (which does not include any physician professional fees), less adjustments for special contractual rates, charity work and an allowance for uncollectible accounts, all determined in accordance with generally accepted accounting principles. The fee for each month shall be paid on or before the 15th day of the succeeding month.

(b) In addition to the above fees, Manager shall be reimbursed by the Company for out-of-pocket expenses incurred on behalf of the Company, but shall not be reimbursed for any indirect or overhead expenses of Manager or its affiliates (except for incremental costs associated with Parent's business development program, if the Surgery Center is included in the program, as described in Section 1(a) hereof). Such reimbursement shall include, but is not limited to, all costs to Manager of providing the Surgery Center employees pursuant to Section 1(g) hereof (including without limitation all compensation and employee benefit costs) and reasonable travel expenses of corporate personnel of Parent and its affiliates who make periodic business trips to the Surgery Center.

(c) Except as otherwise provided in this Agreement, all of the costs and expenses of maintaining and operating the Surgery Center and its facilities shall be expenses of the Surgery Center, for the account of the Company, and shall not be expenses of Manager.

## 4. Books and Records.

(a) Manager shall supervise the maintenance of the books of account covering the operations of the Surgery Center. The general ledger may, if Manager so elects, be maintained by Manager through any centralized accounting system maintained by Parent. Such

books of account shall be maintained on an accrual basis in accordance with generally accepted accounting principles consistently applied.

(b) Manager shall prepare and furnish to the Company after the close of each fiscal quarter an unaudited financial statement reflecting the operations of the Company for such quarter. Manager shall cause to be prepared and furnished after the close of each fiscal year an unaudited balance sheet of the Company dated as of the end of the fiscal year and a related statement of income or loss for the Company for such fiscal year, all of which may (if the Company so elects) be certified in the customary manner by an independent certified public accountant approved by the Company. The expense of any such independent accountants shall be borne by the Company.

(c) Authorized agents of the Company shall have the right at all reasonable times during usual business hours to audit, examine and make copies of or extracts from the books of account of the Company maintained by Manager. Such right may be exercised through any agent, independent public accountant or employee of the Company designated by the Company. The Company shall bear all expenses incurred in any examination it makes pursuant hereto.

(d) If this Agreement is determined at any time during its term to be subject to the provisions of 42 Code of Federal Regulations, or any successor regulation which governs access to books and records of subcontractors of services to Medicare providers with a value or cost of \$10,000 or more during a 12 month period, then Manager and its subcontractors shall make available, upon the request of the Secretary of Health and Human Services or the Comptroller General, the contracts, books, documents, and records necessary to verify the nature and extent of the cost of providing Medicare services under this Agreement, if any; provided, however, that any applicable attorney-client accountant-client or other legal privilege shall not be deemed waived by virtue of this Section 4(d). Such inspection shall be available up to four years after the rendering of such services.

5. **Representations of Manager.** Manager represents and warrants that it has been duly organized and is validly existing as a corporation in good standing under the laws of the State of \_\_\_\_\_, with full corporate power to own its properties and to conduct its business under such laws.

6. **Use of Name, Logos, etc..** During the term of this Agreement, Manager shall have the right to utilize the name, trademarks, logos and symbols identifying the Surgery Center, including the right to represent to the public and the health care industry that the facilities and operations of the Surgery Center are managed by Manager. The Company shall not however, make any use of the name of Manager or Parent, or any of their trademarks, logos or symbols, without the prior written consent of Manager.

7. **Indemnification.** Manager does not hereby assume any of the obligations, liabilities or debts of the Company or the Surgery Center, except as otherwise expressly provided herein, and shall not, by virtue of its performance hereunder, assume or become liable for any of such obligations, debts or liabilities of the Company or the Surgery

Center. The Company hereby agrees to indemnify, defend and hold Manager harmless from and against any and all claims, actions, liabilities, losses, costs and expenses of any nature whatsoever, including reasonable attorneys' fees and other costs of investigating and defending any such claim or action, asserted against Manager on account of any of the obligations, liabilities or debts of the Company or the Surgery Center. The Company further agrees to defend, hold harmless and indemnify Manager and its officers, directors, employees and agents from and against any and all claims, actions, liabilities, losses, costs and expenses of any kind imposed on account of or arising out of actions taken in good faith by Manager or its officers, directors, employees or agents in what Manager or any such person reasonably believed to be within the scope of their responsibilities under this Agreement so long as such actions do not constitute gross negligence or intentional misconduct by the party requesting indemnification.

8. **Default.** The following events shall each constitute a "Default" under this Agreement: (a) the filing by either party hereto of a voluntary petition in bankruptcy or for reorganization under any bankruptcy law, or a petition for the appointment of a receiver for all or any substantial portion of the property of either party hereto, or any voluntary or involuntary steps to dissolve or suspend the corporate powers of either party unless such steps to dissolve or suspend are promptly removed; (b) the consent by either party hereto to an order for relief under the federal bankruptcy laws or the failure to vacate such an order for relief within 60 days from and after the date of entry thereof; (c) the entry of any order, judgment or decree, by any court of competent jurisdiction, on the application of a creditor, adjudicating either party hereto as a bankrupt, or to be insolvent, or approving a petition seeking reorganization or the appointment of a receiver, trustee or liquidator of all or a substantial part of such entity's assets, if such order, judgment or decree shall continue unstayed and in effect for any period of 60 days; and (d) any failure by either party to perform any of the material covenants, conditions or obligations of this Agreement in any material respect if such a failure shall continue for a period of 90 days after delivery to the defaulting party, by another party, of a written notice specifying such failure in sufficient detail, unless such failure is not susceptible of being cured within such 90 day period and the defaulting party commences such cure within such period and diligently prosecutes said cure to completion.

9. **Competitive Services.** It is hereby acknowledged that Manager, Parent and their affiliated companies are currently in the business of developing, owning and operating surgical hospitals, ambulatory surgery centers and other health facilities and providing ambulatory surgery center management services to the public apart from the services that Manager will provide to the Company under this Agreement. Nothing in this Agreement shall prohibit Manager or any of its affiliated companies from owning and operating surgical hospitals, ambulatory surgery centers or other health facilities or from providing such management services. This Section 9 shall not affect any noncompetition or other covenant to which Manager is subject pursuant to any other agreement to which Manager (or its affiliate) is a party.

10. **Assignment.** Except as specifically provided in this Section 10, Manager shall not have the right to assign its rights or delegate its duties hereunder to any unrelated organization unless it first obtains the written consent of the Company. Manager may assign this Agreement without consent to (a) Parent, (b) a majority owned subsidiary of Parent,



(c) a partnership, corporation or other entity that directly or indirectly owns a majority of the outstanding equity securities of Manager or (d) another partnership, corporation or entity that is, concurrently with such assignment, succeeding to all of Manager's interest in the Company or to substantially all of the assets and liabilities of Manager. All of the terms, provisions, covenants, conditions and obligations of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties hereto.

11. **Notices.** Except as otherwise expressly permitted herein, all notices, demands or requests required or permitted to be given hereunder shall be in writing and shall be deemed to have been properly given or served when personally delivered or, if mailed, when deposited in the United States mail, postage prepaid, registered or certified, return receipt requested, or by facsimile transmission (with a confirmation by registered or certified mail placed in the mail no later than the following business day), or by sending the same by a nationally recognized overnight delivery service. Unless changed by written notice given by either party to the other party pursuant hereto, such notices shall be given to the parties at the following addresses:

If to the Company:

\_\_\_\_\_, [LLC] [L.P.]

\_\_\_\_\_

\_\_\_\_\_

Attention: Administrator

Facsimile No.: ( ) -

If to Manager:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Attention: Administrator

Facsimile No.: ( ) -

All notices, demands or requests by personal delivery or by facsimile transmission shall be effective and deemed served upon transmittal thereof. All notices, demands and requests sent by mail shall be effective and deemed served three days after being deposited in the United States mail. All notices, demands and requests sent by overnight delivery service shall be effective and deemed served on the day after being deposited with such overnight delivery service.

12. **Attorneys' Fees.** If any action at law or in equity is brought to enforce any of the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs in addition to any other relief, as determined by the applicable court.

13. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements, either oral or written, between the parties with respect thereto.

14. **Enforceability.** In the event that any of the provisions of this Agreement are held to be invalid or unenforceable by any court of competent jurisdiction, the remaining provisions hereof shall not be affected thereby.

15. **Governing Law.** This Agreement shall be governed by and construed in accordance with \_\_\_\_\_ law, without regard to its conflicts of law principles.

16. **Counterparts; Execution.** This Agreement may be executed in multiple counterparts which, when taken together, shall constitute one instrument. Signatures transmitted by facsimile or via other electronic transmission system shall be accepted as original signatures.

17. **HIPAA Compliance.** The parties agree that, in order to comply with HIPAA, Manager and its affiliates shall meet all requirements and obligations contained in the Business Associate Exhibit attached hereto and incorporated herein by this reference.

18. **Amendments; Waiver.** This Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the Company and Manager or, in the case of a waiver, by the party waiving compliance.

**[Signatures on next page]**

IN WITNESS WHEREOF, the parties hereto have executed this Management Agreement as of the day and year first above written.

**USP \_\_\_\_\_, INC.**

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_, [LLC] [L.P.]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**Attachment A-6-A**

**Option to Lease**

**Deed**

## OPTION TO LEASE AGREEMENT

**THIS OPTION TO LEASE AGREEMENT** (the "Agreement") is made and entered into as of this \_\_\_\_\_ day of June 2018, by and between 7845 Highway 64, LLC ("Landlord") and Bartlett ASC, LLC, a Tennessee limited liability company ("Tenant").

### WITNESSETH

**WHEREAS**, Landlord owns a building located at 7845 US Hwy 64, in Shelby County, Tennessee (the "Property"); and

**WHEREAS**, Landlord desires to enter into an option with Tenant whereby Landlord grants to Tenant the option to lease approximately 13,000 square feet of the Property as chosen by Landlord (the "Leased Premises"), which option must be exercised as set forth below.

**NOW, THEREFORE**, for \$10 cash in hand paid and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

### SECTION 1 GRANT OF OPTION

1.1 Landlord hereby grants to Tenant an exclusive option to lease the Leased Premises, upon the terms and conditions set forth herein (the "Option").

1.2 The term of Tenant's Option shall commence on the date hereof and shall continue for a period of six (6) months from the date hereof (the "Option Period"). The Option Period may be extended at any time prior to its expiration upon the mutual consent of the parties.

1.3 Tenant shall exercise its Option by delivering written notice to Landlord within the Option Period by Registered or Certified Mail, or in person.

1.4 Notwithstanding the foregoing, the Option shall automatically terminate if Tenant is not successful in obtaining a Certificate of Need to relocate its ambulatory surgical treatment center to the Leased Premises, from the State of Tennessee Health Services and Development Agency, on or before October 24, 2018, and provided the Agency's decision cannot be appealed.

ADP 6/6/18

**SECTION 2**  
**TERMS AND CONDITIONS OF THE LEASE**

2.1 Upon the exercise of the Option by Tenant as set forth herein, the parties agree to execute a formal lease agreement, subject to any terms and conditions contained in this Agreement and as mutually agreed upon by the parties. The parties expect that rent shall reflect the fair market value of the property and shall be calculated on a per square foot basis and include costs of tenant improvements, if any.

2.2 The initial term of Tenant's lease of the Leased Premises shall be for a period of **ten** (10) years (the "Term").

**SECTION 3**  
**MISCELLANEOUS PROVISIONS**

3.1 Any notices required or permitted herein shall be addressed as follows and delivered to the other party by either registered or certified mail, facsimile, or in person:

If to Landlord:

7845 Highway 64, LLC  
c/o MalmoMemphis Real Estate, Inc.  
5100 Poplar Ave., Suite 508  
Memphis, TN 38137

With a copy to:

William P. Moss, Esq.  
Harris Shelton  
6060 Primacy Pkwy, Suite 100  
Memphis, TN 38119

If to Tenant:

Bartlett ASC, LLC  
c/o USP Tennessee, Inc.  
15305 Dallas Parkway  
Suite 1600  
Addison, TX 75001  
Attention: Chief Legal Officer

With a copy to:

*JDP 6/6/18*

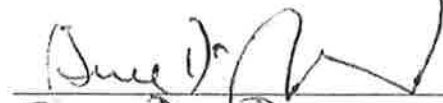
United Surgical Partners International, Inc.  
15305 Dallas Parkway  
Suite 1600  
Addison, TX 75001  
Attn: James Bowden, Senior Corporate Counsel, Development

ADP 6/6/18

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

**LANDLORD:**


**7845 Highway 64, LLC**

By:   
Name: Bruce D. Pergament

**TENANT:**

**Bartlett ASC, LLC**

By: USP Tennessee, Inc., its Sole Member

By:   
Name: Erik Kraemer  
Its: Vice President





*Tom Leatherwood*  
Shelby County Register / Archives

As evidenced by the instrument number shown below, this document  
has been recorded as a permanent record in the archives of the  
Office of the Shelby County Register.

	
<b>17066394</b>	
06/30/2017 ~ 02:29 PM	
3 PGS	
ALONZO	1619778-17066394
VALUE	3475000.00
MORTGAGE TAX	0.00
TRANSFER TAX	12857.50
RECORDING FEE	15.00
DP FEE	2.00
REGISTER'S FEE	1.00
WALK THRU FEE	0.00
TOTAL AMOUNT	12875.50
<b>TOM LEATHERWOOD</b>	
REGISTER OF DEEDS SHELBY COUNTY TENNESSEE	

**This Instrument Prepared By:**  
**Donald E. Bourland, Esq.**  
**Bourland, Heflin, Alvarez, Minor**  
**& Matthews, PLC**  
**5400 Poplar, Suite 100**  
**Memphis, TN 38119**  
**(901) 683-3526**

**SPECIAL WARRANTY DEED**

**THIS INDENTURE**, made and entered into this 30<sup>th</sup> day of June, 2017 by and between ORION FEDERAL CREDIT UNION (hereinafter collectively referred to as "Grantor") and 7845 HIGHWAY 64, LLC (hereinafter referred to as "Grantee").

**WITNESSETH:** that for and in consideration of Ten Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt of all of which is hereby acknowledged, Grantor has bargained and sold and does hereby bargain, sell, convey and confirm unto Grantee the following described real estate, situated and being in the City of Memphis, County of Shelby, State of Tennessee:

The Kate Bond Highway 64 P.D. Final Plan as recorded in Plat Book 143, Page 50, LESS AND EXCEPT the right of way for Educators Lane as dedicated and described in said Plat Book 143, Page 50, to which reference is hereby made for a more particular description of said property.

This being part of the property conveyed to Memphis Area Teachers Credit Union, a Tennessee non-profit corporation, by Warranty Deed recorded under Instrument No. CS 6366 in the Shelby County Register's Office. Memphis Area Teachers Credit Union was converted to a Federal Credit Union under the authority of the National Credit Union Administration on or about August 25, 2010. On February 11, 2011 the National Credit Union Administration approved Grantor formally changing its name to Orion Federal Credit Union.

**TO HAVE AND TO HOLD** the aforesaid real estate, together with all the appurtenances and hereditaments thereunto belonging or in anywise appertaining unto Grantee and its successors and assigns in fee simple forever.

Grantor does hereby covenant with Grantee that it is lawfully seized in fee of the aforescribed real estate; that it has a good right to sell and convey the same; that the same is unencumbered, except for 2017 City of Memphis taxes, now due and payable, and 2017 Shelby County taxes, not yet due and payable, which Grantee assumes and agrees to pay, and subdivision restrictions, building lines and easements of record in Plat Book 143, Page 50 and Plat Book 126, Page 44; Easements of record in Book 5095, Page 128 and at Instrument No. EA 9620 in the Shelby County Register's Office and that the title and quiet possession thereto Grantor will warrant and forever defend against the lawful claims of all persons claiming by, through or under Grantor, but not further or otherwise.

WITNESS the signature of Grantor the day and year first above written.

ORION FEDERAL CREDIT UNION

By: 

Jason Lee, EVP / CFO

STATE OF TENNESSEE  
COUNTY OF SHELBY

Before me, a Notary Public in and for said State and County, duly commissioned and qualified, personally appeared Jason Lee, with whom I am personally acquainted (or proved on the basis of satisfactory evidence), and who upon oath, acknowledged himself to be the EVP / CFO of Orion Federal Credit Union, the within named bargainer, a Federal Credit Union, and that he as such officer being authorized to do so, executed the foregoing instrument for the purposes thereof by signing the name of the Federal Credit Union, by himself as such officer.



WITNESS my hand and Notarial Seal at office this 30<sup>th</sup> day of June, 2017.

  
Notary Public

My Commission Expires: 12/09/2017

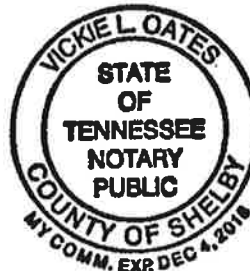
I, or we, hereby swear or affirm that to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer or value of the property transferred, whichever is greater, is \$3,475,000.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

  
Affiant

Subscribed and sworn to before me this 30<sup>th</sup> day of June, 2017.

  
Notary Public

My Commission Expires: Dec 4, 2018



Tax Parcel Identification: 092-006-00040 and 092-006-00041

Property Address: 7845 Hwy 64  
Memphis, TN 38133

Property Owner and  
Address: 7845 Highway 64, LLC  
95 Froehlich Farm Blvd.  
Woodbury, NY 11797

Mail Tax Bills To: Malmo Memphis Real Estate  
5100 Poplar Ave. Ste. 508  
Memphis, TN 38133

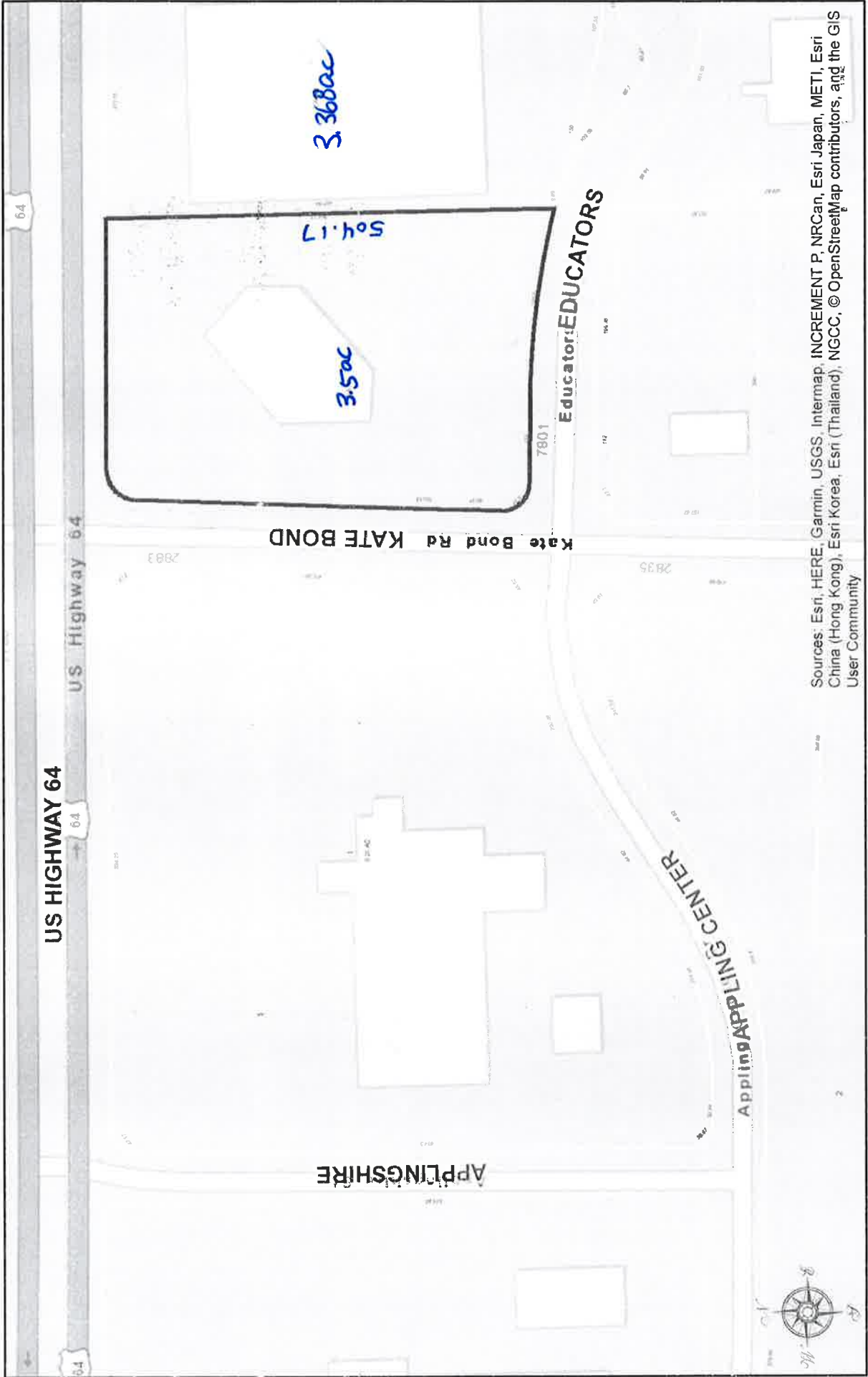
**RETURN TO:**

**Harris Shelton Hanover Walsh, PLLC**  
999 S. Shady Grove  
Suite 300  
Memphis, TN 38120  
Attn: William Moss, Esq.

## **Attachment 6-B-1**

### **Plot Plan**

7845 Highway 64



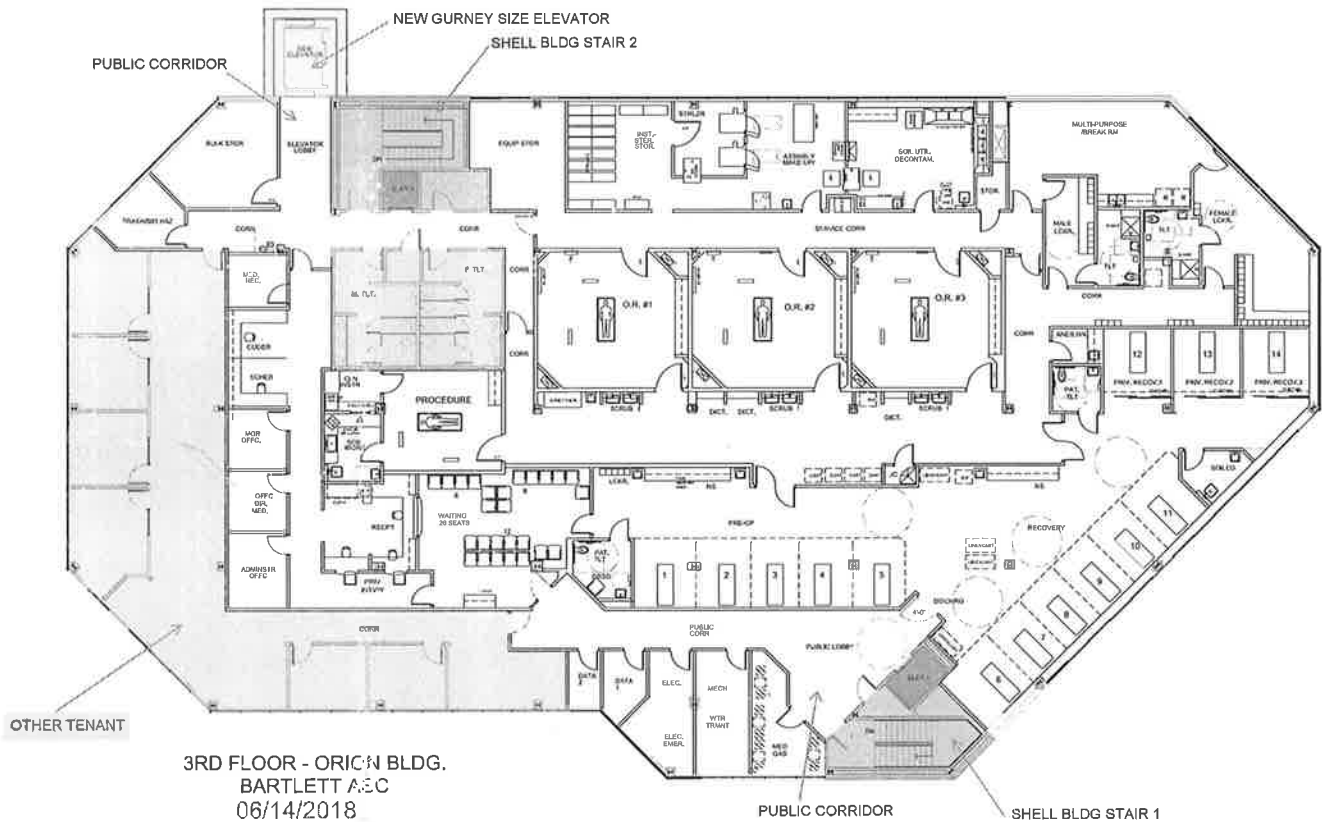
CHEYENNE JOHNSON, ASSESSOR  
SHELBY COUNTY, TENNESSEE

DISCLAIMER: THIS MAP IS FOR PROPERTY ASSESSMENT PURPOSES ONLY. IT IS NOT CONCLUSIVE AS TO LOCATION OF PROPERTY OR LEGAL OWNERSHIP AND THEREFORE, SHOULD NOT BE RELIED UPON AS A REPRESENTATION OF ANY PROPERTY FOR ANY PURPOSE.  
MAP DATE: June 14, 2018



## **Attachment 6-B-2**

### **Floor Plan**



**CASSETTY**

Nashville Office Telephone: 615.822.5711  
Email: [cassetty@cassettytr.com](mailto:cassetty@cassettytr.com)  
**CASSETTY** Architecture, PC

1 THIRD FLOOR PLAN





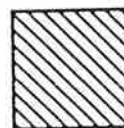
## **Attachment B, Need 3-3**

**Map of Service Area by County**

**Map of Service Area by Zip Code**

A detailed map of Tennessee showing its 95 counties. The counties are labeled with their names, and the map includes the state's borders and major geographical features like the Mississippi River and the Appalachian Mountains.

PROPOSED SERVICE AREA





**Attachment B, Economic Feasibility - 2**

**Funding Documentation**



June 14, 2018

Ms. Melanie Hill  
Health Services and Development Agency  
Andrew Jackson Building  
502 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, TN 37219

Re: Certificate of Need Application CN1605-020, Bartlett ASC, LLC

Dear Mr. Earhart:

United Surgical Partners International, Inc. intends to fund its estimated \$1,732,000 contribution to the Bartlett ASC, LLC project in Bartlett, Tennessee from cash on hand. USPI's financial information is reported as the Ambulatory Care segment included in the financial statements and information filed with the US Securities and Exchange Commission (the "SEC") by USPI's majority owner, Tenet Healthcare Corporation (NYSE:THC). Copies of those filings are available on the SEC's website at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

If you have any questions, please do not hesitate to contact our outside counsel on the matter, Kim H. Looney, of Waller Lansden Dortch & Davis, LLP.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Cagle', is written over a horizontal line.

Jason Cagle  
Chief Financial Officer

June 14, 2018

VIA EMAIL

Erik Kraemer  
Vice President, Development  
United Surgical Partners International, Inc.  
20 Burton Hills Blvd, Ste. 210  
Nashville, Tennessee 37215  
[erkraemer@uspi.com](mailto:erkraemer@uspi.com)

Re: Preliminary indication of interest in providing financing to an ambulatory surgery center project in Bartlett, Tennessee

Dear Mr. Kraemer,

I am writing to confirm Frost Bank's favorable conversations with United Surgical Partners International, Inc. regarding the development of an ambulatory surgery center with physician ownership in Bartlett, Tennessee (the "Project") and to express Frost Bank's initial interest in providing financing for the Project. As discussed, we currently anticipate that we would offer financing in an approximate aggregate principal amount of \$5.1 million to the Project (the "Loan"). The anticipated terms of the Loan are currently expected to include a 90 month term and a fixed rate of interest of approximately 5.5%. The anticipated terms of the Loan are preliminary and subject to change, and do not reflect all of the material terms of the Loan which may be required as part of Frost Bank's underwriting requirements, which terms may include, without limitation, the grant of a security interest in some or all of the assets of the Project, certain affirmative and negative covenants, and other standard terms and conditions. Frost Bank's willingness to extend the Loan is further subject in its entirety to normal underwriting review and all necessary approvals.

Sincerely,



Clint Cockerell

Senior Vice President, Frost Bank

**Attachment C, Contribution to the Orderly Development  
Of Health Care**

**Proof of Publication**

**The Commercial Appeal  
Affidavit of Publication**

JUN 15 '18 PM 3:26

**STATE OF TENNESSEE  
COUNTY OF SHELBY**

Personally appeared before me, Glenn W. Edwards, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached advertisement was published in the following editions of The Commercial Appeal, to-wit:

**June 10, 2018**

Helen Curl

Subscribed and sworn to before me, this 14th day of June, 2018.

Glenn W. Edwards Notary Public

My commission expires January 20, 2020





2018 INTERVIEWS MUST BE scheduled by calling 901-325-4003 and asking for the DON or ADON.

### Help Wanted

**COMMODITIES PORTFOLIO MANAGER (MEMPHIS, TN)** Direct trading strategy for commodity trading accounts of outside investors & the firm's proprietary capital. Reqs Bach's deg or foreign equiv in Economics or a related field. Must have: passed the Series 3 exam & be registered w/ the US Commodity Futures Trading Commission as an Associated Person for at least 2 yrs; 3 yrs exp researching grain, oilseed & related commodities; a profitable track record of trading over more than 3 yrs; extensive knowl of agronomy, major global agricultural producing regions & the geo-politics of those regions; a broad existing network of industry contacts; & the ability to analyze & interpret statistical models for use in agricultural trading. Frequent national & int'l travel reqd. Send resume to McVean Trading & Investments, LLC, Attn: Recruiting, 850 Ridge Lake Blvd., Ste 1, Memphis, TN 38120 or recruiting@mcvean.com.

### Law Enforcement

#### HIRING ARMED GUARDS FOR FEDERAL LOCATION.

Pay \$16.91/hr. Must pass background/pt and medical exam. Contact hiring manager at 901-794-0046 or email: dextersmith@blacklionsecurity.com

Find help here! The Commercial Appeal Localfinds

POPE STREET FROM 1995-1970. Please call Cydney at 877-637-6111.



### Legal Notices

#### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Bartlett ASC, LLC, an ambulatory surgical treatment center owned by Bartlett ASC, LLC with an ownership type of limited liability company, and to be managed by USP Tennessee, Inc., intends to file an application for a Certificate of Need for the relocation of an unimplemented ambulatory surgical treatment center (CH1605-020A) to provide outpatient surgery services from 0 Kate Bond Boulevard, Bartlett, Shelby County, Tennessee 38133 (address to be assigned) to 7845 US Hwy 64. No licensed beds will be affected, and no major medical equipment will be purchased as a result of this project. The cost of this project is expected not to exceed \$9,800,000. The anticipated date of filing the application is on or before June 15, 2018. The contact person for this project is Kim Harvey Looney, Esq., Attorney, who may be reached at Waller Lansden Dortch & Davis LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219, (615) 850-8722.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

MC-2018-02



### Legal Notices

WWW.CAL

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JUNE 4TH

B  
FRIDAY, JU

OPENIN  
10% BUYERS PR

For Com  
WWW.CAL

**BILL CALLER, AUCTIONEER (**  
**CRYE-LEIKE COMMERCIAL**  
901.758.5670 Office  
901.262.3440 Mobile  
bill.caller@crye-leike.com

This information has been secured from sources we believe to be accurate of the information. References to square footage are to

# Services Offered

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### Air Cond/Heating

#### AIR CONDITIONING EXTREME CLIMATE HVAC \$59.95

AC spcl. clean unit and diagnostic inspection on complete system! service motors, CK capacitors, filters, elect. compressors, coil leaks, proper freon charge and add 1/2 lb R410A, (free of charge). 10% Sr disc. (62). low cost repairs by lic. Cont. Ins. & bond. (AIR FORCE RET). Call today 901-335-3372 ask for Lee.

### Appls Repair/Install



**TOWN'S HOME SERVICE**  
Appliance Repair - All Models.  
AC Repairs / Heat  
\*EPA CERTIFIED\*  
A. Towns, 901-503-5509

### Child Care Services

**Laurie's Loving Care**  
Ages 6 wks to 3 yrs, Mon-Fri 6 am-6 pm. My Midtown home Over 40 yrs exp, majored in childcare and guidance 2 openings L. James 901-497-1290 / 901-728-6379

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The Commercial Appeal Localfinds

### Cleaning Services



#### AFFORDABLE HOUSEKEEPING

Licensed, insured, bonded.  
15 yrs. experience. Call Marie,  
901-216-2626

### Cleanup/Hauling



#### HAULING

Plus: Clean Garages, Attics & Yards. Tear down old Garages/Sheds. Pressure Washing, Roof Repair. M. Fryar, 901-229-4834



#### HAULING

Plus: Clean Garages, Attics & Yards. Tear down old Garages/Sheds. Pressure Washing, Roof Repair. M. Fryar, 901-229-4834

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### Concrete/Masonry Work



#### CONCRETE WORK

43 yrs. exp. - All types - specializing in patios, drives sidewalk, slabs. Free Est. Work Gtd. Odis 901-489-2427

### Garage Doors



**GARAGE DOORS INC.**  
RESIDENTIAL/COMM.  
NEW & REPAIRS  
(901) 382-7734

### Home Maint./Repair

**All Home Improvements**  
Specializing in Total Bathroom Remodels, Painting - All Home Repairs. Estab. 1982. A+ BBB mem. Lic./Ins. Mike Tidwell. (901) 603-1736

### Landscaping/Lawn Service

#### Cleanup/Flowerbeds

Drainage solutions • Pruning • Planting. Reasonable Rates. 901-494-8864 / 901-600-1487

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### Landscaping/Lawn Service



#### ONE TOUCH LAWN CARE

Cut Grass/Trim hedges/Edge/Flower Beds.  
\* 901-486-8744 \*

### Prestige Lawn Cutz

\* \$50 - UP \* Cut, Trim Hedge, Mulching  
Low Grass - Low Prices  
\* 901-390-6527 \*

### Legal/Investigate Svc

#### DIVORCE \$400

Simple-No Children  
NO Court Hearing  
Tenn. and Miss.  
Other Rates Available  
Atty Julie Byrd \* 901-373-6111

### Miscellaneous



#### 5" - 6" GUTTERS

LEAF GUARDS  
CLEAN-OUTS, REPAIRS  
Gutters & Garage Drs. Inc. Free Est. 901-728-5555

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### Misc



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The Commercial Appeal Localfinds

2018 JUN 15 PM 3:23

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Kim H. Looney, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of June, 2018, a Notary Public in and for the County/State of Tennessee.

  
NOTARY PUBLIC

My commission expires, January 8, 2019.





Waller Lansden Dortch & Davis, LLP  
511 Union Street, Suite 2700  
P.O. Box 198966  
Nashville, TN 37219-8966

Kim Harvey Looney  
615.850.8722 direct  
kim.looney@wallerlaw.com

615.244.6380 main  
615.244.6804 fax  
wallerlaw.com

June 15, 2018

VIA HAND DELIVERY

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building  
9th Floor  
502 Deaderick Street  
Nashville TN 37243

Re: Bartlett ASC, LLC - Bartlett, Shelby County, Tennessee

Dear Melanie:

Please be advised that Bartlett ASC, LLC (the "Applicant") requests that the application be placed on the consent calendar for the August 22, 2018 hearing. This application is for the relocation of an approved but unimplemented CON for the same applicant (CN1605-020A). The project continues to be needed, is economically feasible, contributes to the orderly development of healthcare and will provide services at a high level of quality.

If you have any questions or need any additional information, please do not hesitate to call me.

Sincerely,

Kim Harvey Looney

KHL:lag



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

July 1, 2018

Kim H. Looney, Esq.  
Waller Lansden Dortch & Davis LLP  
511 Union Street, Suite 2700  
Nashville, TN 37219

RE: Certificate of Need Application – Bartlett ASC, LLC- CN1806-026  
The relocation of an ASTC and unimplemented CON (CN1605-020) from Kate Bond Boulevard Bartlett (Shelby County) to 7845 US Highway 64, Bartlett (Shelby County). The applicant is owned by one member USP Tennessee, Inc., which is owned by United Surgical Partners International (USPI). Tenet purchased a controlling interest in USPI in 2015. The estimated project cost is \$10,035,666.19.

Dear Ms. Looney:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is [Trent.Sansing@tn.gov](mailto:Trent.Sansing@tn.gov) or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on July 1, 2017. The first thirty (30) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 22, 2018.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (3) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (4) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

#### MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM: Melanie M. Hill  
Executive Director

DATE: July 1, 2018

RE: Certificate of Need Application  
Bartlett ASC, LLC- CN1806-026  
**CONSENT CALENDAR**

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a **CONSENT CALENDAR** thirty (30) day review period to begin on July 1, 2018 and end on August 1, 2018.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Kim Looney





**State of Tennessee  
Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

**LETTER OF INTENT**

The Publication of Intent is to be published in the The Commercial Appeal which is a newspaper  
(Name of Newspaper)  
of general circulation in Shelby, Tennessee, on or before June 10, 20 18  
(County) (Month/Day) (Year)  
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Bartlett ASC, LLC an ambulatory surgical treatment center  
(Name of Applicant) (Facility Type-Existing)

owned by: Bartlett ASC, LLC with an ownership type of limited liability company

and to be managed by: USP Tennessee, Inc. intends to file an application for a Certificate of Need

The relocation of an unimplemented ambulatory surgical treatment center  
for [PROJECT DESCRIPTION BEGINS HERE]: (CN1605-020A) to provide outpatient surgery services from 0 Kate Bond  
Boulevard, Bartlett, Shelby County, Tennessee 38133(address to be assigned) to 7845 US Hwy 64.  
No licensed beds will be affected, and no major medical equipment will be purchased as a result of this project.  
The cost of this project is expected not to exceed \$9,800,000.

The anticipated date of filing the application is: June 15, 20 18

The contact person for this project is Kim Harvey Looney, Esq. Attorney  
(Contact Name) (Title)

who may be reached at: Waller Lansden Dortch & Davis LLP 511 Union Street, Suite 2700  
(Company Name) (Address)

Nashville TN 37219 615 / 850-8722  
(City) (State) (Zip Code) (Area Code) (Phone Number)

Kim H. Looney June 8, 2018 Kim.Looney@wallerlaw.com  
(Signature) (Date) (Email-Address)

**The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:**

**Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



# Supplemental #1 (Original)

Bartlett ASC, LLC

CN1806-026



Waller Lansden Dortch & Davis, LLP  
 511 Union Street, Suite 2700 615.244.6380 main  
 P.O. Box 198966 615.244.6804 fax  
 Nashville, TN 37219-8966 wallerlaw.com

Kim Harvey Looney  
 615.850.8722 direct  
 kim.looney@wallerlaw.com

June 28, 2018

**VIA HAND DELIVERY**

Mark A. Farber  
 Deputy Director  
 Health Services and Development Agency  
 Andrew Jackson State Office Building  
 502 Deaderick Street, 9<sup>th</sup> Floor  
 Nashville, TN 37243

RE: Certificate of Need Application CN1806-026  
 Bartlett ASC, LLC

Dear Mark:

This letter is submitted as the supplemental response to your letter dated June 22, 2018 , wherein additional information or clarification was requested regarding the above-referenced CON application.

**1. Section and Item Numbering**

It appears that the applicant is not utilizing the Section and Item Numbering for the current application form.

Please submit the original application from the beginning of Section B with correct numbering.

**Response:** A revised original application with correct section and item numbering is included as Attachment 1 - Section and Item Numbering.

**2. Section A, Executive Summary**

Please discuss in detail how it was determined that the proposed site is more suitable than the CON approved site.

**Response:** The applicant had difficulty in agreeing on final terms with the landlord at the previously approved CON site, and as such, was forced to pursue another location, resulting in the filing of the current application. In addition, the new site has an existing building, so it is anticipated that the ASC may be able to begin operation faster than if it were still using the previous approved site.

Does the applicant expect to offer ownership interests in the ASTC? If yes, how much ownership does USPI expect to retain?

Mark Farber  
June 28, 2018  
Page 2

What is the anticipated square footage of the proposed ASTC? How does that compare to the square footage at the Kate Bond Boulevard site?

**Response:** The square footage is substantially similar, with the current square footage of approximately 13,000 square feet, and the previous square footage at the Kate Bond Boulevard site approximately 13,500.

**3. Section A, Project Details, 6A. (Legal Interest in the Site)**

Your response to this item is noted. Please submit a revised fully executed Option to Lease that includes anticipated annual lease payments.

**Response:** The Option to Lease indicates it will be fair market value with a term of 10 years. The exact rent will not be determined until the buildout is complete, the costs are known, and the space is ready to be occupied. The applicant has estimated a rate of approximately \$20 per square foot in the Project Costs Chart, which it believes to be fair market value and on the conservative side.

Is the Deed to the property submitted the deed to the Kate Bond Boulevard location rather than the 7845 US Highway 64 location?

**Response:** No, the deed submitted is for the property at 7845 Hwy 64, as reflected on the last page of the deed included with the application. The property is located at the corner of Hwy 64 and Kate Bond Road, which could account for any confusion.

**4. Section B, Need Item A**

**Please respond to the following criteria:**

Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Agency may consider the following factors:

- (a) *Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

**Response:** The proposed new site is located less than one half mile from the previously approved site, and only a little over 1,000 feet from the hospital, so the health care needs should be served as well as at the original site. As previously stated, there is a practical need to change the site because the applicant no longer has an option on the previously approved site.

- (b) *Economic factors.* The applicant should show that the proposed new site would be *at* least as economically beneficial to the population to be served as the original site.

Mark Farber  
June 28, 2018  
Page 3

**Response:** The applicant estimates the project costs to be slightly less than those of the original site, so it is anticipated that the proposed new site will be at least as economically beneficial to the population to be served as the original site.

- (c) *Contribution to the orderly development of health care facilities, and/or services.* The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

**Response:** The applicant anticipates no delays; the project may be completed slightly faster since the proposed site is an existing building.

#### 5. Section B, Need Item D.1)

What is the source for the population data being used? The data is different than what is found on the Department of Health website.

**Response:** The data was taken from the Department of Health website, populations projections 2016-2030, located at <https://www.tn.gov/health/health-program-areas/statistics/health-data/population.html>. The data represents population projections for the current year, 2018, and the projected year, 2020. Please also note that the links for Department of Health data and TennCare enrollment data included in the current application form are dead and need to be updated.

Is the reason that NA has been placed in the Target Population section because the total population is the target population?

Please explain.

**Response:** Yes, the target population and the total population are the same.

#### 6. Section B, Need Item F.

Your response to this item is noted.

Please complete the following tables:

**Bartlett ASC Projected Utilization**

Specialty	# of Surgeons	Year 1 OR Cases	Year 2 OR Cases	Year 1 PR Cases	Year 2 PR Cases
General Surgery	4	158	306	0	0
Orthopedics	4	346	673	0	0
Neurosurgery/Spine	1	105	204	0	0
Gastroenterology	2	0	0	945	1,836
Pain Management*	1	0	0	105	204
<b>Total</b>	<b>11*</b>	<b>609</b>	<b>1,183</b>	<b>1,050</b>	<b>2,040</b>

\*Same physician performing neurosurgery/spine/pain cases.

Mark Farber  
June 28, 2018  
Page 4

Facility	2017 OR Cases	2017 PR Cases	Year 1 OR Cases	Year 1 PR Cases	Year 2 OR Cases	Year 2 PR Cases
St. Francis Hospital (SFH)	4,769	4,087	4,743	4,498	4,886	5,118
SFH- Bartlett	2,308	966	2,261	1,102	2,329	1,379
Surgery Center at SF	4,371	3,293	4,091	2,793	4,121	2,833
<b>TOTAL</b>	<b>11,448</b>	<b>8,346</b>	<b>11,095</b>	<b>8,393</b>	<b>11,336</b>	<b>9,330</b>

Please provide the Shelby County hospital outpatient surgical utilization from the latest three year period in the following table:

Hospital	2014 Cases	2015 Cases	2016 Cases	% Change 2014-2016
Baptist Memorial Hospital-Shelby	3,787	3,846	3,771	-0.42%
Baptist Memorial Hospital-Collierville	1,657	1,689	1,723	3.98%
Baptist Memorial Hospital-Women	1,827	2,043	2,236	22.39%
Delta Medical Center	1,924	2,120	264	-86.28%
LeBonheur Children's Medical Center	7,581	8,646	9,848	29.90%
Methodist Healthcare-Germantown	6,061	5,768	6,518	7.54%
Methodist Healthcare-Memphis	4,541	4,750	4,321	-4.84%
Methodist Healthcare-North	928	1,033	981	5.71%
Methodist Healthcare-South	1,000	997	319	-68.1%
Regional One Health	4,221	3,690	3,021	-28.43%
Saint Francis Hospital	5,517	5,658	5,531	0.25%
Saint Francis Hospital-Bartlett	2,745	5,996	2,803	2.11%
<b>Total</b>	<b>41,789</b>	<b>46,236</b>	<b>41,336</b>	<b>-1.08%</b>

#### 7. Section B, Economic Feasibility, Item A. Project Costs Chart,

There appears to be a slight calculation error in the Project Cost Chart.

In determining the correct lease amount, please see the following from Agency Rules:

**0720-09-.01 DEFINITIONS.** *The following terms shall have the following meanings.*

*Lease, loan, or gift. In calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the cost is the fair market value of the lease or the total amount of the lease payment, whichever is greater.*

Please review, make any necessary changes, and submit a revised Project Costs Chart.

**Response:** The calculation error has been corrected. A revised Project Costs Chart is included as Attachment Section B, Economic Feasibility, Item A, replacement Page 37. In this situation, the lease is the net present value of the total amount of the lease payment, which is at fair market value.

Mark Farber  
June 28, 2018  
Page 5

**8. Section B, Economic Feasibility, Item B. Funding**

Based on the letters provided by the CFO of USPI and Frost Bank, the applicant has accounted for \$6,832,000 of estimated project cost. The total project cost is \$9,638,817.34, which results in \$2,806,817.34 of project cost that is not covered.

Please explain how these costs will be paid.

**Response:** The \$1,945,418 in Facility Costs equals to the net present value of the lease payments, which will be paid out of current operating revenue on a monthly basis. The applicant anticipates that the remaining difference between the project costs and the amount that is being funded by the applicant will be covered through physician investment in the ASC, when the project is syndicated.

**9. Section B. Economic Feasibility Item D (Projected Data Chart)**

Please submit a revised Projected Data Chart that include entries for NET BALANCE and FREE CASH FLOW.

**Response:** A revised Projected Data Chart is included as Attachment Section B, Economic Feasibility, Item D, replacement Pages 42-43.

There appears to be a calculation error in Year 2020 of the Other Expense Chart on page 43 of the application.

**Response:** A revised Projected Data Chart is included as Attachment Section B, Economic Feasibility, Item D, replacement Pages 42-43.

The Projected Data Chart shows no Provision for Charity Care. Please explain.

**Response:** Charity Care is currently included in the Projected Data Chart as a line item under "Bad Debt."

The draft management agreement indicates that the management fee will be 7% of net revenue. The management fee provided on the Projected Data Chart is not 7% of net revenue. Please explain.

**Response:** The management fee in the draft management agreement is a placeholder number that will be altered to reflect the actual management fee when the agreement is entered, which is currently anticipated to be 5% X (revenue less bad debt).

**10. Section B. Economic Feasibility Item E. 1)**

There appears to be a typo in the narrative response.

Mark Farber  
June 28, 2018  
Page 6

**Response:** Please see revised Page 44 correcting typo included as Attachment Section B, Economic Feasibility, Item E.

#### **11. Section B. Economic Feasibility Item E. 3)**

There is revenue data in the ASTC JAR where average charge data can be calculated. Using data from the 2017 JAR please provide charge/case data for the multispecialty ASTCs in Shelby County.

**Response:** See table below, incorporating 2017 Joint Annual Report data.

<b>Facility</b>	<b>2017 Avg. Gross Charge</b>	<b>2017 Avg. Deduction</b>	<b>2017 Avg. Net Charge</b>
<b>Baptist Germantown Surgery Center</b>	\$7,853.06	\$5,907.24	\$1,945.82
<b>Campbell Clinic Surgery Center</b>	\$8,267.38	\$1,757.09	\$1,926.21
<b>Campbell Clinic Surgery Center Midtown</b>	\$10,965.46	\$7,783.18	\$3,182.29
<b>East Memphis Surgery Center</b>	\$6,280.60	\$4,750.53	\$1,530.07
<b>Le Bonheur East Surgery Center II</b>	\$4,315.49	\$1,676.92	\$2,638.57
<b>Memphis Surgery Center</b>	\$8,767.42	\$6,945.19	\$1,822.23
<b>Methodist Surgery Center Germantown</b>	\$6,213.01	\$3,998.49	\$2,214.52
<b>North Surgery Center</b>	\$6,602.60	\$4,612.49	\$1,990.11
<b>Semmes-Murphey Clinic</b>	\$7,889.34	\$4,306.47	\$3,582.87
<b>Surgery Center at Saint Francis</b>	\$9,469.56	\$7,016.57	\$2,452.99

#### **12. Section B. Economic Feasibility Item F. (1)**

Please provide the most recent audited Consolidated Balance Sheet and Statements of Operations for Tenet Healthcare.

**Response:** Tenet does not have audited financials. Tenet Healthcare, Inc., the ultimate owner of St. Francis, St. Francis-Bartlett, USPI, and therefore the applicant, is a publically traded entity. As per the question in Item F.(1), Tenet's latest SEC filing, the 10-Q, can be found at <http://secfilings.nasdaq.com/filingFrameset.asp?FilingID=12715031&RcvdDate=4/30/2018&CoName=TENET%20HEALTHCARE%20CORP&FormType=10-Q&View=html>.

#### **13. Section B. Economic Feasibility Item F. (3)**

Please provide the requested Capitalization Ratio for Tenet Healthcare.

Mark Farber  
June 28, 2018  
Page 7

**Response:** Tenet Healthcare's Capitalization Ratio for 2017 is 5.39.

**14. Section B. Economic Feasibility Item H., Staffing, Page 54**

Please explain why there are FTEs listed in the "Existing FTEs" column.

**Response:** There should be no FTEs in the existing FTEs column. Please see revised page 46 correcting Staff and Wage Chart included as Attachment Section B, Economic Feasibility Item H, Staffing.

**15. Section B. Contribution to Orderly Development Item A.**

The anticipated emergency transfer agreements with St. Francis and St. Francis Bartlett are noted. What is the distance to St. Francis and St. Francis Bartlett from the proposed site?

**Response:** St. Francis Bartlett is 0.2 miles away from the proposed site, and St. Francis is about 11 miles away from the proposed site.

Will all the surgeons utilizing the ASTC have admitting privileges at St. Francis and/or St. Francis Bartlett?

**Response:** Yes

**16. Section B, Orderly Development, Item D**

Does the applicant plan to be TennCare/Medicaid certified?

**Response:** Yes

**17. Section B, Orderly Development, Item E.**

Please explain why the applicant noted "Not Applicable" to this item.

**Response:** This item is applicable, the application responses should have been "No." Please see revised pages 49-50 included as Attachment Section B, Orderly Development, Item E.

**18. Section B, Orderly Development, Items F and G**

Please note that these items are applicable to the applicant and all entities in common ownership with the applicant.

**Response:** Please see revised pages 50-51 included as Attachment Section B, Orderly Development, Items F and G.



**19. Section B. Quality Measures**

**Please verify and acknowledge the applicant will be evaluated annually on whether the proposal will provide health care that meets appropriate quality standards upon the following factors:**

- (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

**Response:** The applicant commits to maintaining an actual payor mix that is comparable to the projected payor mix in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and care for the medically indigent.

- (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

**Response:** The applicant commits to maintaining staffing at comparable levels to the staffing chart presented in its CON application, adjusted for actual patient volume, or as may otherwise be required by state licensure standards.

- (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

**Response:** The applicant will obtain and maintain all applicable state licenses in good standing.

- (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

**Response:** The applicant will obtain and maintain TennCare and Medicare certification.

- (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

**Response:** The applicant has maintained substantial compliance with applicable federal and State regulation for at least the three (3) years prior to the CON application.

- (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

**Response:** The applicant has not, nor has it been threatened with, decertification in the prior three (3) years.

- (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to

Mark Farber  
June 28, 2018  
Page 9

accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

**Response:** The applicant, within two (2) years of implementation of the project, will participate in self-assessment and/or external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve. The applicant will seek accreditation from The Joint Commission.

- (h) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

(ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects.

**Response:** The applicant, within two (2) years of implementation of the project, will participate in self-assessment and/or external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve. The applicant will seek accreditation from The Joint Commission.

For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**Response:** The applicant has estimated the number of physicians by specialty expected to utilize the facility. The applicant plans on initially credentialing four (4) orthopedic surgeons, four (4) general surgeons, two (2) gastroenterologists, and one (1) neurosurgeon/spine/pain management specialist. The applicant has developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, either on- or off-site.

**June 28, 2018**

**3:29 P.M.**

Mark Farber  
June 28, 2018  
Page 10

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

A handwritten signature in blue ink that reads "Kim H. Looney". The signature is fluid and cursive, with the first name "Kim" and last name "Looney" being clearly legible, and the middle initial "H." written in a smaller, more compact script.

Kim H. Looney

/Enc.



**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: BARTLETT ASC, LLC

I, KIM H. LOONEY, ESQ., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28<sup>TH</sup> day of June, 2017, witness my hand at office in the County of Davidson, State of Tennessee.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires : January 8, 2019

HF-0043

Revised 7/02



**Attachment 1 - Section and Item Numbering**

**Revised Application Correcting Numbering**



## State of Tennessee

## Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243  
 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

**CERTIFICATE OF NEED APPLICATION****SECTION A: APPLICANT PROFILE**1. Name of Facility, Agency, or Institution

Bartlett ASC, LLC

Name

7845 US Hwy 64

Street or Route

Bartlett

City

TN

State

Shelby

County

38133

Zip Code

Website address: www.uspi.com

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. Contact Person Available for Responses to Questions

Kim H. Looney, Esq.

Name

Waller Lansden Dortch &amp; Davis LLP

Company Name

511 Union Street, Suite 2700

Street or Route

Nashville

City

Attorney

Title

Attorney

Email address

TN

State

37219

Zip Code

Attorney

Association with Owner

615-850-8722

Phone Number

615-244-6804

Fax Number

**NOTE:**

**Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

**3. SECTION A: EXECUTIVE SUMMARY**

**A. Overview**

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

**Response:** The applicant is Bartlett ASC, LLC. Bartlett ASC received approval at the October, 2016 meeting of the HSDA for the initiation of outpatient surgery services and the establishment of an ambulatory surgical treatment center (CN1605-020A). Bartlett ASC requested and received an extension of time for the project in December 2017, for a period of one year. Since that time, the applicant has decided that a different site is more suitable for the location of the proposed ASTC. The old location was on Kate Bond Boulevard, at an address to be assigned, and the new location is at 7845 US Hwy 64, less than a half mile away, and only a little over 1,000 feet from SFH-Bartlett. The new location is on the third floor of an existing building. Therefore, the applicant is seeking approval for the change of site of a previously approved and unimplemented ASTC.

- 2) Ownership structure;

**Response:**

Applicant/Ownership Structure: The current member of Bartlett ASC, LLC, is USP Tennessee, Inc. ("USPT"). The parent company for these entities is United Surgical Partners International ("USPI"). USPI was founded in 1998, and is one of the prominent leaders in ambulatory surgery. USPI generally partners with physicians and health systems to own and operate ASTCs. USPI currently owns and operates over 280 short-stay ambulatory facilities where they serve more than 9,000 physicians and over one million patients each year. USPI maintains strategic joint-venture partnerships with more than 4,000 physicians and over 50 health systems nationwide. All of this is accomplished through a team of over 11,000 dedicated employees.

In Tennessee, USPI, or a related entity, has an ownership interest in 22 ASTCS and 1 specialty hospital. A list of these facilities is included in Attachment A, Executive Summary-2. Tenet purchased a controlling interest in USPI in 2015. As such, the structure of this ASTC is different than for those hospitals which are not ultimately owned by Tenet. In this situation, Saint Francis Hospital-Bartlett is not a direct owner of the Bartlett ASC, LLC. Instead, SFH-Bartlett will indirectly benefit from the establishment of this ASTC because the ultimate parent company of both Bartlett ASC, LLC and SFH-Bartlett is Tenet.

Facility/Services: The applicant proposes to relocate its previously approved unimplemented multi-specialty ASTC located on Kate Bond Boulevard to a new location at 7845 US Hwy 64, in Bartlett, a little over 1,000 feet from SFH-Bartlett. In Shelby County, there are 10 existing multi-specialty ASTCs. Two are owned by Campbell Clinic and limited to that physician group, and one is owned by and limited

to Semmes-Murphy. The remaining ASTCs are all affiliated with an area hospital, including the Surgery Center of Saint Francis, which is affiliated with SFH on Park Avenue..

- 3) Service area;

**Response:**

Service Area: The service area for the proposed ASTC includes portions of Shelby County as well as Fayette County. The zip codes that comprise the service area include 38134, 38002, 38135, 38016, 38133, 38128, 38053, 38127, 38068, 38060, 38018, 38122, 38108, 38028, and 38111. These zip codes are all included in the service area for SFH-Bartlett so it is reasonable to expect that an ASTC that is located in Bartlett would have a substantially similar service area. A map with these zip codes identified is included as Attachment C-Need-3.

- 4) Existing similar service providers;

**Response:** Existing Resources: There are no ASTCs in the entire proposed service area with the exception of North Surgery Center, which is located on the campus of and partially owned by Methodist North Hospital. North Surgery Center is generally used by those physicians who practice at Methodist North Hospital. Methodist closed its hospital in Fayette County in March, 2015. A significant number of those patients are choosing to receive care at SFH-Bartlett, which is the closest hospital. The population in this area is sufficient to support an ASTC and would allow residents to receive necessary surgery in a less restrictive setting than a hospital.

- 5) Project cost;

**Response:** The applicant anticipates leasing the ASTC space from 7845 Highway 64, LLC for a period of 10 years. The overall project costs are estimated to be approximately \$9.6M, which includes the net present value of the lease, the tenant improvements for the space, pre-opening expenses, working capital, and the equipment and furnishings necessary to operate the ASTC.

- 6) Funding;

**Response:** The applicant anticipates that part of the project will be funded from cash reserves and part will be a commercial loan.

- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and

**Response:** The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive net income in year 2.

- 8) Staffing;

**Response:** The center will operate with 18.0 FTEs, 13.0 of which are clinical positions. Candidates are readily available from within the existing healthcare industry and the applicant's related facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and



engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

**B. Rationale for Approval**

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

**Response:** The applicant feels this project is clearly needed to meet the health care needs of service area residents. There is no outpatient surgery center in the applicant's service area, with the exception of the one on the campus of Methodist North, which is used by physicians who practice at Methodist North. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is also a benefit, particularly for patients from the more rural areas, and elderly patients, who may have difficulty navigating a hospital campus.

The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. Many of the surgeries currently performed at The Surgery Center at Saint Francis, Saint Francis Hospital and SFH-Bartlett will be shifted to this surgery center, due to the type of surgery and/or convenience of the patients, which will be key to the success of the Bartlett ASC.

2) Economic Feasibility;

**Response:** The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive cash flow in year 2.

3) Appropriate Quality Standards; and

**Response:** USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, or improvements need to be made, USPI has the information and infrastructure to make improvements.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients that Received Antibiotics within One Hour
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Falls
- Medication Variance
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- All Transfers - ASC

4) Orderly Development to adequate and effective health care.

**Response:** There are no ASTCs in the applicant's service area. This area of Shelby County is one of the fastest growing areas of the county. The shift of outpatient procedures to a location more convenient to service area residents will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective manner and location. There is no duplication of services because there is currently no ASTC in the service area, with the exception of North Surgery Center, which is on the campus of Methodist North and generally used by physicians who practice at that location.

**C. Consent Calendar Justification**

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

**Response:** Since this proposed project is for the relocation of a previously approved and unimplemented CON (CN1605-020A), and the project is substantially the same, the applicant would like to request to be on the consent calendar and has submitted a letter to Melanie Hill at the time of filing this application.

4. SECTION A: PROJECT DETAILSA. Owner of the Facility, Agency or Institution

<u>Bartlett ASC, LLC</u>	<u>615-376-7330</u>
Name	Phone Number
<u>8 Cadillac Dr. Suite 200</u>	<u>Williamson</u>
Street or Route	County
<u>Brentwood</u>	<u>37027</u>
City	Zip Code
<u>TN</u>	
State	

B. Type of Ownership of Control (Check One)

- |                                 |       |                              |          |
|---------------------------------|-------|------------------------------|----------|
| A. Sole Proprietorship          | _____ | F. Government (State of TN   | _____    |
| B. Partnership                  | _____ | or Political Subdivision)    |          |
| C. Limited Partnership          | _____ | G. Joint Venture             | _____    |
| D. Corporation (For Profit)     | _____ | H. Limited Liability Company | <u>X</u> |
| E. Corporation (Not-for-Profit) | _____ | I. Other (Specify)           | _____    |

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

**Response:** See copy of entity information included as Attachment A-4A.

**Describe** the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

5. Name of Management/Operating Entity (If Applicable)

<u>USP Tennessee, Inc.</u>	
Name	
<u>15305 Dallas Parkway, Suite 1600</u>	<u>Dallas</u>
Street or Route	County
<u>Addison</u>	<u>75001</u>
City	Zip Code
<u>TX</u>	
State	

Website address: www.uspi.com

**For new facilities or existing facilities** without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

**Response:** See Draft Management Agreement included as Attachment Section A-5.

June 28, 2018

3:29 P.M.

**6A. Legal Interest in the Site of the Institution (Check One)**

- |                         |       |                    |          |
|-------------------------|-------|--------------------|----------|
| A. Ownership            | _____ | D. Option to Lease | <u>X</u> |
| B. Option to Purchase   | _____ | E. Other (Specify) | _____    |
| C. Lease of _____ Years | _____ |                    |          |

**Check appropriate line above:** For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

**Response:** See copy of Option to Lease and Deed included as Attachment A-6A.

**6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site** on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS**. Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
  - a. Size of site (*in acres*);
  - b. Location of structure on the site;
  - c. Location of the proposed construction/renovation; and
  - d. Names of streets, roads or highway that cross or border the site.

**Response:** See plot plan included as Attachment 6B-1.

- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

**Response:** See floor plan included as Attachment 6B-2.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.**

**Response:** The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile. The location is very accessible by automobile; located less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile.

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7. Type of Institution (Check as appropriate--more than one response may apply)

- |  |  |
|--|--|
| A. Hospital (Specify) _____  | I. Nursing Home _____                        |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <u>X</u> | J. Outpatient Diagnostic Center _____        |
| C. ASTC, Single Specialty _____  | K. Recuperation Center _____                 |
| D. Home Health Agency _____  | L. Rehabilitation Facility _____             |
| E. Hospice _____   | M. Residential Hospice _____                 |
| F. Mental Health Hospital _____  | N. Non-Residential Methadone Facility _____  |
| G. Mental Health Residential Treatment Facility _____                    | O. Birthing Center _____                     |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility (Specify) _____ |
|  | Q. Other (Specify) _____                     |

Check appropriate lines(s).

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- |  |   |
|--|---|
| A. New Institution _____   | G. Change in Bed Complement _____   |
| B. Replacement/Existing Facility _____   | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] |
| C. Modification/Existing Facility _____  |   |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) _____ | H. Change of Location <u>X</u>  |
| E. Discontinuance of OB Services _____   | I. Other (Specify) _____  |
| F. Acquisition of Equipment _____  |   |

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number: To be applied for \_\_\_\_\_

Medicaid Provider Number: To be applied for \_\_\_\_\_

Certification Type: ASC

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare X Yes \_\_\_\_\_ No \_\_\_\_\_ N/A Medicaid/TennCare X Yes \_\_\_\_\_ No \_\_\_\_\_ N/A

**10. Bed Complement Data**

A. Please indicate current and proposed distribution and certification of facility beds.

	<i>Current Licensed</i>	<i>Beds Staffed</i>	<i>Beds Proposed</i>	<i>*Beds Approved</i>	<i>**Beds Exempted</i>	<i><u>TOTAL</u> <u>Beds at</u> <u>Completion</u></i>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
<b>TOTAL</b>						
*Beds approved but not yet in service      **Beds exempted under 10% per 3 year provision						

- B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**
- C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. Response: Not applicable.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved

**11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**Response:** Not applicable.

3:29 P.M. Proposed Final Square Footage

Cost per Square Foot Is Within Which Range  
(For quartile ranges, please refer to the Applicant's Toolbox on [www.tn.gov/hstda](http://www.tn.gov/hstda))

\*\* Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.



**13. MRI, PET, and/or Linear Accelerator**

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:
  - A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types:	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> MRI	Tesla: _____	Magnet:	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease   Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____		
Total Cost*: _____		<input type="checkbox"/> New <input type="checkbox"/> Refurbished		

\* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

**Response:** Not applicable.

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

**Response:** Not applicable.

**D. Schedule of Operations:**

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations (Applicant)	_____	_____
(Name of Other Location)	_____	_____
(Name of Other Location)	_____	_____

**Response:** Not applicable.**E. Identify the clinical applications to be provided that apply to the project.****Response:** Not applicable.**F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.****Response:** Not applicable.

**SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

**QUESTIONS**

**SECTION B: NEED**

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

**AMBULATORY SURGICAL TREATMENT CENTERS**

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to establish or expand Ambulatory Surgical Treatment Centers (ASTCs). Existing ASTCs are not affected by these standards and criteria unless they take an action that requires a new certificate of need (CON) for the establishment or expansion of an ASTC.

These standards and criteria are effective immediately as of May 23, 2013, the date of approval and adoption by the Governor of the State Health Plan changes for 2013. Applications to establish or expand an ASTC that were deemed complete by the HSDA prior to this date shall be considered under the Guidelines for Growth, 2000 Edition.

**Assumptions in Determination of Need**

The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms
  - a. An operating room is available 250 days per year, 8 hours per day.

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**Response:** The operating rooms will be available 250 days per year, 8 hours per day.

b. The estimated average time per Case in an Operating Room is 65 minutes.

**Response:** The applicant anticipates that the average time per case in an operating room will be 65 minutes or longer.

c. The average time for cleanup and preparation between Operating Room Cases is 30 minutes.

**Response:** The applicant anticipates that the average time for cleanup will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity.  $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$  divided by 95 minutes 884 Cases per year.

**Response:** The applicant anticipates that it will meet the standard of 884 Cases per year in the third year of operation.

## 2. Procedure Rooms

a. A procedure room is available 250 days per year, 8 hours per day.

**Response:** The procedure room will be available 250 days per year, 8 hours per day.

b. The estimated average time per outpatient Case in a procedure room is 30 minutes.

**Response:** The applicant anticipates that the average time per outpatient Case in a procedure room will be 30 minutes.

c. The average time for cleanup and preparation between Procedure Room Cases is 30 minutes.

**Response:** The applicant anticipates that the average time for cleanup and preparation between procedure room Cases will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity.  $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$  divided by 45 minutes = 1,867 Cases per year.

**Response:** The applicant anticipates meeting the standard of 1,867 cases per year in Year 2.

**Determination of Need**

1. Need. The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

**Response:** The applicant anticipates having 2 operating rooms and 1 procedure room in the ASTC, with space shelled in for an additional operating room when utilization is sufficient to justify completing it for operation. The applicant anticipates that the ASTC will perform over 3,200 cases in the second full year of operation. The applicant anticipates that the average surgical case will take 65 minutes and a procedural case such as a pain management epidural procedure or gastroenterology will take 30 minutes. The room turnover for both types of cases is expected to take 30 minutes or less. The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed.. The orthopedic, general surgery, and neurosurgery/spinal procedures will be performed in an operating room and the gastroenterology and pain management procedures will be performed in a procedure room. Procedures performed in a procedure room are anticipated to take less time than the procedures performed in the operating rooms. Therefore, for the sake of cost and efficiency, for both the ASTC and the patients, it is important to have a separate procedure room in which they can be performed. It is also important to have more than one operating room so that the turnover time between surgeries can be minimized.

The number of cases projected for the first year of operation is a total of 1,659, with 609 being performed in the operating rooms and 1,050 being performed in the procedure room.

For the second year of operation, the applicant projects 1,183 surgical cases and 2,040 procedure room cases, for a total of 3,223.

According to the CON Guidelines, the optimal utilization for operating rooms is 884 cases per room and for procedure rooms it is 1,867 cases per room. With a projection of 1,183 cases for the 2 operating rooms in year 2, the applicant anticipates exceeding the guideline of 884 cases per room in the 3rd year of operation. For the procedure room, the applicant anticipates performing 2,040 cases in the procedure room, so it will exceed the Guideline of 1,867 cases in year 2 of its operation.

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2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

**Response:** The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. In the first year of operation, the 1,659 projected cases are estimated to require 2,015 hours. In the second year of operation, the 3,223 projected cases are estimated to require 3,914 hours. These estimates are derived from the following assumptions: the average surgical case takes 65 minutes, the average procedural case takes 30 minutes, and room turnover for each takes 30 minutes or less.

### Projected Surgical Hours

	Year 1			Year 2		
	Cases	Time/Case	Total Hours	Cases	Time/Case	Total Hours
Projected Surgical Cases	609	1:35	965	1,183	1:35	1,874
Projected Procedures	1,050	1:00	1,050	2,040	1:00	2,040
Total Cases	1,659			3,223		
Total Time in Hours			2,015			3,914

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available ) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**Response:** All of the existing multi-specialty ASTCs in Shelby County are either affiliated and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

Saint Francis Hospital added The Surgery Center of Saint Francis on its campus over ten years ago, which was after most of the other hospitals in Shelby County had added ASTCs to their campuses. SFH-Bartlett has been open for 14 years, and at the request of some of its doctors, the applicant is applying for the Bartlett ASC, LLC. This speaks to an orderly progression of the addition of outpatient surgical services. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for

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patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is consistent with the State Health Plan and is particularly beneficial for elderly patients and patients from the more rural areas, who may have difficulty navigating a hospital campus.

As can be seen in the utilization in the tables below, for 2017, Campbell Clinic Surgery Center, Hamilton Eye Institute Surgery Center, Mays & Schnapp Pain Clinic & Rehabilitation Center, Methodist Surgery Center Germantown, Ridge Lake Ambulatory Surgery Center, Shea Clinic, The Surgery Center at Saint Francis, and Urocenter all operated at or above the standard of 884 cases per operating room. Those ASTCs operating above the 1,867 cases per procedure room included Campbell Clinic, Semmes-Murphy, GI Diagnostic and Therapeutic Center, Memphis Gastroenterology Endoscopy Center and Mid-South Gastroenterology Group. Facilities that perform a significant number of pain management and/or gastroenterology procedures would be expected to be above this minimum standard.

**Utilization of Operating and Procedure Rooms  
Shelby County 2017**

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<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms</b>	<b>Cases Performed in all Operating Rooms</b>	<b>Cases per Room</b>	<b>Procedure Rooms</b>	<b>Cases Performed in all Procedure Rooms</b>	<b>Cases per Procedure Room</b>
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.



**Utilization of Operating and Procedure Rooms  
Shelby County 2016**

<b>Multispecialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Baptist Germantown Surgery Center	5	3,861	772	0	0	0
Campbell Clinic Surgery Center	4	3,322	831	1	3,466	3,466
Campbell Clinic Surgery Center Midtown	4	2,753	688	0	0	0
East Memphis Surgery Center	6	4,246	708	3	1,155	385
Le Bonheur East Surgery Center II	4	2,462	616	0	0	0
Memphis Surgery Center	4	1,686	422	1	0	0
Methodist Surgery Center Germantown	4	3,987	997	1	1,248	1,248
North Surgery Center	4	592	588	1	1,174	1,174
Semmes-Murphey Clinic	3	1,536	512	2	5,129	2,565
Surgery Center at Saint Francis	4	3,611	903	2	3,126	1,563
<b>Single-specialty Ambulatory Surgical Treatment Centers</b>						
	<b>Operating Rooms (OR)</b>	<b>Cases Performed in all ORs</b>	<b>Cases per OR</b>	<b>Procedure Rooms (PR)</b>	<b>Cases Performed in all PRs</b>	<b>Cases per PR</b>
Eye Care Surgery Center of Memphis	2	1,551	776	1	0	0
Germantown Ambulatory Surgical Center	1	136	136	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,228	2,538
Hamilton Eye Institute Surgery Center	3	3,260	1,087	2	479	240
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,395	2,198	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1,925	963
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,993	664	1	414	414
Memphis Gastroenterology Endoscopy Center	0	0	0	6	10,480	1,747
Mid-South Gastroenterology Group	1	0	0	3	7,737	2,579
Mid-South Interventional Pain Institute	0	0	0	2	3,360	1,680
Planned Parenthood Greater Memphis Region	0	0	0	2	1,881	941
Radiosurgical Center of Memphis	0	0	0	1	110	110
Ridge Lake Ambulatory Surgery Center	3	5,434	1,811	4	3,203	801
Shea Clinic	2	2,563	1,282	0	0	0
Urocenter	3	4,091	1,364	0	0	0
Wesberry Surgery Center	1	1,429	1,429	0	0	0
Wolf River Surgery Center	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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# Utilization of Operating and Procedure Rooms Shelby County 2015

Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,811	762	0	0	0
Campbell Clinic Surgery Center	4	3,483	871	1	3,769	3,769
Campbell Clinic Surgery Center Midtown	4	1,323	331	0	0	0
East Memphis Surgery Center	6	4,190	698	3	1,151	394
Le Bonheur East Surgery Center II	4	4,108	1,027	0	0	0
Memphis Surgery Center	4	2,652	663	1	0	0
Methodist Surgery Center Germantown	4	3,943	986	1	1,252	1,252
North Surgery Center	4	2,351	588	1	1,339	1,339
Semmes-Murphey Clinic	3	1,570	523	2	4,712	2,356
Surgery Center at Saint Francis	4	5,288	1,322	2	1,118	559
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Endoscopy Center of the Mid-South	0	0	0	1	2,022	2,022
Eye Care Surgery Center of Memphis	2	0	0	1	1,206	1,206
Germantown Ambulatory Surgical Center	1	106	106	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,128	2,521
Hamilton Eye Institute Surgery Center	3	3,527	1,176	2	545	273
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,422	2,211	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	2,124	1,062
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,656	552	1	356	356
Memphis Gastroenterology Endoscopy Center	0	0	0	6	9,525	1,588
Mid-South Gastroenterology Group	0	0	0	3	7,506	2,502
Mid-South Interventional Pain Institute	0	0	0	2	2,728	1,364
Planned Parenthood Greater Memphis Region	0	0	0	2	3,311	1,656
Ridge Lake Ambulatory Surgery Center	2	4,493	2,247	4	2,448	612
Shea Clinic	2	2,263	1,132	0	0	0
Urocenter	3	3,648	1,216	0	0	0
Wesberry Surgery Center	1	1,500	1,500	0	0	0
Wolf River Surgery Center	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**Response:** The Surgery Center at Saint Francis, located at 5959 Park Avenue, in front of Saint Francis Hospital, is owned by Saint Francis Surgery Center, LLC. The utilization at this surgery center for operating room surgical cases is the highest in Shelby County in 2017 at 1,093 cases per operating room. The applicant anticipates that a significant number of its outpatient surgical volume will come from the cases currently being performed at the Surgery Center of Saint Francis, partly because of the type of case it is and partly because some of the patients who are receiving services reside closer to the proposed Bartlett ASC site than the Surgery Center at Saint Francis. The shift of some of the surgical volume from the Surgery Center at Saint Francis will help the Surgery Center at Saint Francis to better manage its volume and allow service area residents to receive necessary surgery closer to home.

It is important to look at the market of multi-specialty surgery centers in Shelby County and note their ownership or affiliation. They are all either affiliated and/or owned by a hospital in the area, or limited to a particular physician group. Please see the table below.

**Affiliations of ASTCs in Service Area**

	Affiliations
Baptist Germantown Surgery Center	Baptist Memorial Hospital
Campbell Clinic Surgery Center	Campbell Clinic Orthopaedics
Campbell Clinic Surgery Center Midtown	Campbell Clinic Orthopaedics
East Memphis Surgery Center	Baptist Memorial Hospital
Le Bonheur East Surgery Center II	Methodist Healthcare
Memphis Surgery Center	Baptist Memorial Hospital
Methodist Surgery Center Germantown	Methodist Healthcare
North Surgery Center	Methodist Healthcare
Semmes-Murphey Clinic	Semmes-Murphey Clinic Physicians
Surgery Center at Saint Francis	Saint Francis Hospital

The applicant anticipates that the surgery center will have the greatest impact on Saint Francis Hospital, The Surgery Center at Saint Francis, and SFH-Bartlett. The applicant anticipates that the ASTC should have little to no impact on other area ASTCs. As is shown in the table above, all of the multispecialty ASTCs in Shelby County are either affiliated with an existing hospital or limited to a particular physician group, as in the case of Campbell Clinic and Semmes-Murphey. As the applicant anticipates that the majority of its projected cases are expected to come from utilization of physicians who perform more of their cases at Saint Francis Hospital, Surgery Center at Saint Francis, and SFH-Bartlett, than at any other surgery center, it should have relatively little impact on the ASTCs that are affiliated with other hospital systems in Shelby County.

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5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

**Response:** Not applicable. The ASTC is not applying for a Specialty ASTC. The applicant anticipates that orthopedic, pain management, neurosurgery/spinal, gastroenterology and general surgical procedures will be performed at the proposed ASTC upon its approval. It anticipates the list of specialties will expand after implementation of the ASTC. The applicant anticipates that it will need to expand these service offerings, as well as finish the shelled OR, based on demand in the service area.

#### Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

**Response:** The majority of the population that is expected to receive services at this ASTC will be within 60 minutes driving time to the facility.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

**Response:** The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile.

The location is very accessible by automobile. The proposed site is less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile for the community.

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8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** Please see attached tables for demographics of the service area.

**2016  
Bartlett ASC  
Service Area by Zip Code**

Area ZIP Code	City	Current Population
38134	Memphis	43,679
38002	Arlington	40,125
38135	Memphis	29,040
38016	Cordova	46,763
38133	Memphis	21,324
38128	Memphis	44,901
38053	Millington	26,875
38127	Memphis	44,131
38068	Somerville	9,750
38060	Oakland	9,901
38018	Cordova	37,107
38122	Memphis	24,546
38108	Memphis	18,918
38028	Eads	6,734
38111	Memphis	41,742
<b>TOTAL</b>		<b>445,536</b>

Source: 2012-2016 American Community Survey 5-Year Estimates

**Demographic Characteristics of Service Area by County**  
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Demographic	Shelby County	Fayette County	Tennessee
Median Age – 2012-16 ACS	35.1	47.7	38.5
Age 65+ Population – 2018	125,618	8,734	1,119,024
% of Total Population	13.3%	21.4%	16.5%
Age 65+ Population – 2020	133,579	9,479	1,189,428
% of Total Population	14.1%	22.6%	17.3%
Median Household Income	\$46,854	\$51,290	\$46,574
TennCare Enrollees (4/18)	245,409	6,895	1,432,475
Percent of 2018 Population Enrolled in TennCare	26%	16.9%	21.2%
Persons Below Poverty Level (2018)	196,471	5,774	1,100,169
Persons Below Poverty Level as % of Population (US Census)	21.4%	15%	17.2%

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** During the first year of operation, the applicant anticipates that it will take until the 4<sup>th</sup> quarter to be substantially ramped up. At that point and moving into the 2<sup>nd</sup> year of operation, it is anticipated that the surgeries performed will be evenly distributed across quarters.

**Bartlett ASC**  
**Projected Utilization for First Eight Quarters**

	Year 1	Year 2
1 <sup>st</sup> Quarter	79	805
2 <sup>nd</sup> Quarter	237	806
3 <sup>rd</sup> Quarter	553	806
4 <sup>th</sup> Quarter	790	806
<b>Total</b>	<b>1,659</b>	<b>3,223</b>

10. Patient Safety and Quality of Care: Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

**Response:** The applicant will seek accreditation through The Joint Commission. All of the USPI facilities are accredited by either The Joint Commission or the Accreditation Association of Ambulatory Health Care.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**Response:** The applicant anticipates initially credentialing approximately 4 orthopedic surgeons, 4 general surgeons, 2 gastroenterologists, and 1 neurosurgeon/spine/pain management specialist. Additionally, adequate anesthesiologists and CRNAs will be credentialed to manage and administer anesthesia services to the facilities' patients. Generally, an ASTC of this size would require the credentialing of approximately ten anesthesia providers that would practice at the center on a rotating basis. The facility plans to contract with pathologists to provide professional laboratory services to the center, as well as with a N/Aa radiologist to provide oversight to the center's radiological safety program.

The applicant anticipates having sufficient staff for the ASTC with RNs, surgical technologists and office staff.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

**Response:** While the proposed service area does not qualify as a medically underserved area, there is currently no ASTC in this service area, with the exception of North Surgery Center, which is located on the campus of Methodist North Hospital.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

**Response:** Not applicable.

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- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

**Response:** The applicant will be contracted with all TennCare MCOs in the service area and will participate in the Medicare program.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

**Response:** The applicant anticipates that the procedures to be performed in the procedure room will take on average 30 minutes.

- B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

**Response:** This proposal is consistent both with the applicant facilities long-range development plan as well as for Tenet, which is the controlling owner for USPI, and the ultimate parent entity for SFH-Bartlett. As such it is also consistent with the long-range plans of the two Tenet hospitals in Shelby County - Saint Francis Hospital and SFH - Bartlett. Hospitals have to be competitive and provide services better, faster and cheaper. One way this is being carried out is for minimally invasive procedures to be moved out of the hospital setting to an ASTC, which is a lower cost provider.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable.

**Attachment Section B - Need-C.**

**Response:** Please see maps included as Attachment Section B, Need-3. Both a county map and a zip code map are included to identify the proposed service area.

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	N/A	N/A
County #2	N/A	N/A
Etc.	N/A	N/A
Total	N/A	100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1 Shelby	1,288	77.6
County #2 Fayette	186	11.2
County #3 Other TN	114	6.9
Etc. Other state	71	4.3
Total	1,659	100%



**Response:** The above tables show the projected utilization for the counties in the service area.



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- D. 1) a) Describe the demographics of the population to be served by the proposal.

- b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/ Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population- Current Year 2018	Total Population- Projected Year 2020	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Fayette County	40,742	41,852	2.7%	N/A	N/A	N/A	N/A	44.4	\$55,972	5,774	15%	6,895	16.9%
Shelby County	942,648	950,532	0.8%	N/A	N/A	N/A	N/A	35.1	\$46,854	196,471	21.4%	245,409	26%
Service Area Total	983,390	992,384	0.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	352,304	35.8%
State of TN Total	6,769,368	6,883,347	1.7%	N/A	N/A	N/A	N/A	38.5	\$46,574	1,100,169	17.2%	1,432,475	21.2%

\* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

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**Response:** The Bartlett ASC anticipates being readily accessible to the service area population and will serve the elderly, women, racial and ethnic minorities, and low income groups.

#### Demographic Characteristics of Service Area by County

Demographic	Shelby County	Fayette County	Tennessee
Age 65+ Population – 2018	125,618	8,734	1,119,024
% of Total Population	13.3%	21.4%	16.5%
Age 65+ Population – 2020	133,579	9,479	1,189,428
% of Total Population	14.1%	22.6%	17.3%
TennCare Enrollees (4/18)	245,409	6,895	1,432,475
Percent of 2018 Population Enrolled in TennCare	26%	16.9%	21.2%
Persons Below Poverty Level (2018)	196,471	5,774	1,100,169
Persons Below Poverty Level as % of Population (US Census)	21.4%	15%	17.2%

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

**Response:** There are no ASTCs existing in Bartlett, nor are there any that have been approved but are unimplemented, other than this one. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period. The only ASTC in the entire service area is North Surgery Center, located on the campus of Methodist North Hospital. The following tables show utilization for ASTCs in Shelby County for the past three years.

**Utilization of Operating and Procedure Rooms  
Shelby County 2017**

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Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms	Cases Performed in all Operating Rooms	Cases per Room	Procedure Rooms	Cases Performed in all Procedure Rooms	Cases per Procedure Room
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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**Utilization of Operating and Procedure Rooms  
Shelby County 2016**

Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,861	772	0	0	0
Campbell Clinic Surgery Center	4	3,322	831	1	3,466	3,466
Campbell Clinic Surgery Center Midtown	4	2,753	688	0	0	0
East Memphis Surgery Center	6	4,246	708	3	1,155	385
Le Bonheur East Surgery Center II	4	2,462	616	0	0	0
Memphis Surgery Center	4	1,686	422	1	0	0
Methodist Surgery Center Germantown	4	3,987	997	1	1,248	1,248
North Surgery Center	4	592	588	1	1,174	1,174
Semmes-Murphey Clinic	3	1,536	512	2	5,129	2,565
Surgery Center at Saint Francis	4	3,611	903	2	3,126	1,563
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Eye Care Surgery Center of Memphis	2	1,551	776	1	0	0
Germantown Ambulatory Surgical Center	1	136	136	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,228	2,538
Hamilton Eye Institute Surgery Center	3	3,260	1,087	2	479	240
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,395	2,198	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1,925	963
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,993	664	1	414	414
Memphis Gastroenterology Endoscopy Center	0	0	0	6	10,480	1,747
Mid-South Gastroenterology Group	1	0	0	3	7,737	2,579
Mid-South Interventional Pain Institute	0	0	0	2	3,360	1,680
Planned Parenthood Greater Memphis Region	0	0	0	2	1,881	941
Radiosurgical Center of Memphis	0	0	0	1	110	110
Ridge Lake Ambulatory Surgery Center	3	5,434	1,811	4	3,203	801
Shea Clinic	2	2,563	1,282	0	0	0
Urocenter	3	4,091	1,364	0	0	0
Wesberry Surgery Center	1	1,429	1,429	0	0	0
Wolf River Surgery Center	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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**Utilization of Operating and Procedure Rooms  
Shelby County 2015**

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Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,811	762	0	0	0
Campbell Clinic Surgery Center	4	3,483	871	1	3,769	3,769
Campbell Clinic Surgery Center Midtown	4	1,323	331	0	0	0
East Memphis Surgery Center	6	4,190	698	3	1,151	394
Le Bonheur East Surgery Center II	4	4,108	1,027	0	0	0
Memphis Surgery Center	4	2,652	663	1	0	0
Methodist Surgery Center Germantown	4	3,943	986	1	1,252	1,252
North Surgery Center	4	2,351	588	1	1,339	1,339
Semmes-Murphey Clinic	3	1,570	523	2	4,712	2,356
Surgery Center at Saint Francis	4	5,288	1,322	2	1,118	559
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Endoscopy Center of the Mid-South	0	0	0	1	2,022	2,022
Eye Care Surgery Center of Memphis	2	0	0	1	1,206	1,206
Germantown Ambulatory Surgical Center	1	106	106	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,128	2,521
Hamilton Eye Institute Surgery Center	3	3,527	1,176	2	545	273
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,422	2,211	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	2,124	1,062
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,656	552	1	356	356
Memphis Gastroenterology Endoscopy Center	0	0	0	6	9,525	1,588
Mid-South Gastroenterology Group	0	0	0	3	7,506	2,502
Mid-South Interventional Pain Institute	0	0	0	2	2,728	1,364
Planned Parenthood Greater Memphis Region	0	0	0	2	3,311	1,656
Ridge Lake Ambulatory Surgery Center	2	4,493	2,247	4	2,448	612
Shea Clinic	2	2,263	1,132	0	0	0
Urocenter	3	3,648	1,216	0	0	0
Wesberry Surgery Center	1	1,500	1,500	0	0	0
Wolf River Surgery Center	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** Please see the projected annual utilization for each of the two (2) years following completion of the project in the chart below.

**Projected Annual Utilization**

Specialty .	Percentage of Cases	Year 1	Year 2
General Surgery	9%	158	306
Orthopedics	21%	347	673
Neurosurgery/spine	6%	105	204
Gastroenterology	57%	945	1,836
Pain Management	6%	105	204
<b>Total</b>	100%	1,659	3,223



**SECTION B: ECONOMIC FEASIBILITY**

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

**Response:** Please see Project Costs chart.

- 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

**Response:** Please see the net present value of the total lease payments included on the project costs chart. It is the applicant's understanding that this represents the fair market value of the lease payments.

- 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

**Response:** Please see the costs for fixed and moveable equipment of \$2,919,831 included on the project costs chart.

- 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

**Response:** Please note the ASTC will be located on the third floor of an existing building. While there are costs for tenant improvements to ensure the space is suitable for an ASTC, there are no construction costs.

- 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

- a) A general description of the project;
- b) An estimate of the cost to construct the project;
- c) A description of the status of the site's suitability for the proposed project; and
- d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

**Response:** Please see the project costs chart on the following page. The building is an existing office building that will have space renovated to accommodate the new surgery center location. The executed Option to Lease between Bartlett ASC, LLC and 7845 Highway 64, LLC as Landlord and the Deed are included as Attachment A-6A.

## PROJECT COST CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	\$75,000
Legal, Administrative (Excluding CON Filing Fee),	
2. Consultant Fees	\$70,000
3. Acquisition of Site	
4. Preparation of Site	
5. Total Construction Costs	
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	\$2,919,831
9. Other (Specify) <u>Tenant Improvements</u>	\$3,093,777
10. Pre-Opening Expenses	\$479,683
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	\$1,945,418
2. Building only	
3. Land only	
4. Equipment (Specify) _____	
5. Other (Specify)	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify): <u>Working Capital</u>	\$1,000,000
D. Estimated Project Cost	
(A+B+C)	\$9,583,711.00
E. CON Filing Fee	\$55,106.34
F. Total Estimated Project Cost	
(D+E)	
<b>TOTAL</b>	<b>\$9,638,817.34</b>

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

- ☒ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☒ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ 6) Other – Identify and document funding from all other sources.

**Response:** The applicant will lease space for the ASTC which will be paid from current operating reserves. Other costs in the amount of approximately \$1,372,000 will be paid from cash reserves. Please see letter from CFO attesting to the availability of the necessary funds. The remaining funds of \$5.1M will be provided through a commercial loan. See Attachment C, Economic Feasibility-2.

C. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

## HISTORICAL DATA CHART

June 28, 2018

☐ Total Facility☐ Project Only

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Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month). **Response:** Not Applicable.

	Year	Year	Year
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)			
B. Revenue from Services to Patients			
1. Inpatient Services	\$	\$	\$
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) _____			
<b>Gross Operating Revenue</b>	\$	\$	\$
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	\$	\$
2. Provision for Charity Care			
3. Provisions for Bad Debt			
<b>Total Deductions</b>	\$	\$	\$
<b>NET OPERATING REVENUE</b>	\$	\$	\$
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care			
b. Non-Patient Care			
2. Physician's Salaries and Wages			
3. Supplies			
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
6. Other Operating Expenses			
<b>Total Operating Expenses</b>	\$	\$	\$
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	\$	\$	\$
F. Non-Operating Expenses			
1. Taxes	\$	\$	\$
2. Depreciation			
3. Interest			
4. Other Non-Operating Expenses			
<b>Total Non-Operating Expenses</b>	\$	\$	\$
<b>NET INCOME (LOSS)</b>	\$	\$	\$

Chart Continues Onto Next Page

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<b>NET INCOME (LOSS)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
G. Other Deductions			
1. Annual Principal Debt Repayment	<u>\$</u>	<u>\$</u>	<u>\$</u>
2. Annual Capital Expenditure	<u></u>	<u></u>	<u></u>
<b>Total Other Deductions</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>NET BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>DEPRECIATION</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

- ☐ Total Facility  
☐ Project Only

**HISTORICAL DATA CHART-OTHER EXPENSES****OTHER EXPENSES CATEGORIES**

	<b>Year</b>	<b>Year</b>	<b>Year</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
1.	<u></u>	<u></u>	<u></u>
2.	<u></u>	<u></u>	<u></u>
3.	<u></u>	<u></u>	<u></u>
4.	<u></u>	<u></u>	<u></u>
5.	<u></u>	<u></u>	<u></u>
6.	<u></u>	<u></u>	<u></u>
8.	<u></u>	<u></u>	<u></u>
<b>Total Other Expenses</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

**Supplemental #1****June 28, 2018**☒ Total Facility☐ Project Only**PROJECTED DATA CHART 3:29 P.M.**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	1,659	3,223
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$4,148,881	\$8,262,202
3. Emergency Services		
4. Other Operating Revenue (Specify)		
<b>Gross Operating Revenue</b>	<b>\$4,148,881</b>	<b>\$8,262,202</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$539,354	\$1,074,086
2. Provision for Charity Care		
3. Provisions for Bad Debt	\$108,286	\$215,643
<b>Total Deductions</b>	<b>\$647,640</b>	<b>\$1,299,729</b>
<b>NET OPERATING REVENUE</b>	<b>\$3,501,242</b>	<b>\$6,972,473</b>
D. Operating Expenses		
1. Salaries and Wages	\$1,009,344	\$1,386,166
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$788,550	\$1,578,001
4. Rent		
a. Paid to Affiliates	\$214,500	\$222,600
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates	\$175,062	\$348,624
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$893,226	\$866,704
<b>Total Operating Expenses</b>	<b>\$3,080,682</b>	<b>\$4,402,094</b>
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	<b>\$ 420,560</b>	<b>\$ 2,570,379</b>
F. Non-Operating Expenses		
1. Taxes	\$169,090	\$169,090
2. Depreciation	\$855,444	\$865,444
3. Interest	\$261,896	\$220,309
4. Other Non-Operating Expenses		
<b>Total Non-Operating Expenses</b>	<b>\$ 1,286,430</b>	<b>\$ 1,254,843</b>
<b>NET INCOME (LOSS)</b>	<b>(\$865,870)</b>	<b>\$1,315,536</b>

Chart Continues Onto Next Page

**Supplemental #1****June 28, 2018****3:29 P.M.**

<b>NET INCOME (LOSS)</b>	<b>(\$865,871)</b>	<b>\$1,315,535</b>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
<b>Total Other Deductions</b>	<b>\$</b>	<b>\$</b>
<b>NET BALANCE</b>	<b>\$</b>	<b>\$</b>
<b>DEPRECIATION</b>	<b>\$</b>	<b>\$</b>
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	<b>\$</b>	<b>\$</b>

X ☐ Total Facility  
☐ Project Only

**PROJECTED DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2019</u>	<u>Year 2020</u>
1. Repairs and Maintenance	\$166,000	\$174,500
2. Purchased Equipment	\$200,000	\$200,000
3. Minor Equipment	\$24,000	\$24,600
4. Utilities	\$135,000	\$138,375
5. Non-Medical Supplies and Expenses	\$300,000	\$230,625
6. Professional Fees	\$25,000	\$25,625
7. Sales Exp.	\$20,000	\$20,500
8. Insurance	\$23,226	\$46,479
<b>Total Other Expenses</b>	<b>\$893,226</b>	<b>\$866,704</b>



- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,500.83	\$2,563.51	3%
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )	N/A	N/A	\$ 390.38	\$ 400.16	.5%
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,110.45	\$2,163.35	3%

**Response:** The applicant projects that the average gross charge for the first year of operation is \$2,550.83, and \$2,56.51 for the second year of operation.

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**Response:** Since this project is for the relocation of an approved, but unimplemented CON, there are no current charges and therefore no adjustment to current charges as a result of the implementation of the project.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** USPI, or a related entity, has an ownership interest in 22 ASTCs in Tennessee and these charges are consistent with the charges at those facilities.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. **NOTE: Publicly held entities only need to reference their SEC filings.**

**Response:** The applicant expects to begin to have positive cash flow in Year 2, based on its projected utilization rate. The latest 10-Q for Tenet can be found at <http://secfilings.nasdaq.com/filingFrameset.asp?FilingID=12715031&RcvdDate=4/30/2018&CoName=TENET%20HEALTHCARE%20CORP&FormType=10-Q&View=html>.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	.12	.37

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

**Response:**

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

**Response:**

**Applicant's Projected Payor Mix, Year 1**

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	497,866	12.0
TennCare/Medicaid	53,935	1.3
Commercial/Other Managed Care	3,551,442	85.6
Self-Pay	0	0
Charity Care	0	0
Other (Specify): Bad Debt	45,638	1.1
Total	4,148,881	100.00

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- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

**Response:** Please see projected staffing and wages below.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>A. Direct Patient Care Positions</b>	Not applicable			
<i>Position 1: RN</i>		8.5	\$30.00/hr	\$27.02/hr
<i>Position 2 Techs</i>		3.5	\$25.00/hr	\$22.58/hr
<i>Position 3 MaterialsMgr</i>		1.0	\$22.00/hr	\$21.45/hr
<b>Total Direct Patient Care Positions</b>		13.0		

<b>B. Non-Patient Care Positions</b>	Not Applicable			
<i>Position 1: Adm</i>		1.0	\$100,000/yr	\$87,960/yr
<i>Position 2: Bus Office Mgr.</i>		1.0	\$50,000/yr	\$50,600/yr
<i>Position "etc.": Clerical</i>		3.0	\$13-20.00/hr	\$14.56/hr
<b>Total Non-Patient Care Positions</b>	5.0	5.0		
<b>Total Employees (A+B)</b>	18.0	18.0		
<b>C. Contractual Staff</b>	0			
<b>Total Staff (A+B+C)</b>	18.0	18.0		

- I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

**Response:** This project does not involve new construction. There are no viable alternatives to the provision of these necessary health care services other than the proposed facility. All of the existing multi-specialty ASTCs in Shelby County are either affiliated with and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2%

between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

**Response:** This project does not involve new construction because the ASTC will be on the 3<sup>rd</sup> floor of an existing building.

## **SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

**Response:** The surgery center expects to contract with all predominate managed care insurers in the market including Blue Cross of Tennessee, United Healthcare, Cigna, and AETNA. The center will participate in the Medicare program and contract with Medicare Advantage Plans. The center will participate in the TennCare program and expects to contract with the West Tennessee TennCare Managed Care Organizations: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select. The applicant anticipates having transfer agreements with both Saint Francis Hospital and SFH-Bartlett.

- B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

### **1) Positive Effects**

**Response:** There are only positive effects as a result of this proposal. The shift of outpatient procedures to a more convenient location will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective location. There is no duplication of services because there is currently no ASTC in Bartlett.

### **2) Negative Effects**

**Response:** The only possible negative effects would be to The Surgery Center of Saint Francis, Saint Francis Hospital and SFH-Bartlett. As stated above, the positive effects to the service area residents outweigh any negative effects to these existing providers.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

**Response:** Candidates are readily available from within the existing healthcare industry and the Tenet facilities in Shelby County. The ASTC will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The Tenet facilities in Shelby County have a history of attracting qualified professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

**Response:** The applicant is familiar with all licensing and/or certification requirements as required by the State of Tennessee as well as the requirements for the Joint Commission.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**Response:** The applicant does not plan to participate in the training of students; ASTCs do not generally participate in such training.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

**Response:** The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. The applicant has reviewed and understands the relevant requirements.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

**Response:** The applicant will be Medicare certified. The applicant has reviewed and understands the relevant requirements.

Accreditation (i.e., Joint Commission, CARF, etc.):

**Response:** The applicant plans to seek accreditation from The Joint Commission. The applicant has reviewed and understands the relevant requirements.

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

**Response:** Not applicable.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

**Response:** Not applicable.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

**Response:** Not applicable.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

**Response:** Not applicable.

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

**Response:** Not applicable.

- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

**Response:** Not applicable.

- 2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

**Response:** Not applicable.

- b) Criminal fines in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

**Response:** Not applicable.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

**Response:** Not applicable.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

**Response:** Not applicable.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

**Response:** Not applicable.

- h) Is presently subject to a corporate integrity agreement.

**Response:** Not applicable.

**F. Outstanding Projects:**

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<b>Outstanding Projects</b>					
<b>CON Number</b>	<b>Project Name</b>	<b>Date Approved</b>	<b>*Annual Progress Report(s)</b>		<b>Expiration Date</b>
			<b>Due Date</b>	<b>Date Filed</b>	
CN1605-020A	Bartlett ASC, LLC	10/26/16	12/1/2017	2/1/18	12/1/2019

\*Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

**Response:** Please see chart above. The current approved project will expire on December 1, 2019. The applicant will turn in that CON upon the approval of this project.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

**Response:** The applicant does not anticipate implementing CN1605-020A, but will turn the certificate in upon the final approval of this project.

**G. Equipment Registry-For the applicant and all entities in common ownership with the applicant.**

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? \_\_\_\_\_

**Response:** Not applicable.

- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

**Response:** Not applicable.

- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

**Response:** Not applicable.

**SECTION B: QUALITY MEASURES**

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

**Response:** The applicant will report annually on measures and forms as prescribed by the Agency, pertaining to this CON if approved.

**SECTION C: STATE HEALTH PLAN QUESTIONS**

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning> ). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.



- A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

**Response:** The addition of an ASTC in one of the fastest growing areas of the state, when that is currently not an option for this area, will allow residents to receive necessary health care services in the least restrictive setting, making it easier and more convenient for residents which promotes the health of those Tennesseans and may improve their health outcomes over time.

USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, USPI has the information and infrastructure to improve.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients with a Perforation
- % of Patients that Received Antibiotics within One Hour
- % of Patients with Appropriate Hair Removal
- % Patients with VTE Risk Assessment
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Death Within the Facility
- Falls
- Medication Variance
- Risk - Total Burns with Harm
- Surgical Site Infection
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- Non-Emergent Transfer before Treatment
- Non-Emergent Transfer after Treatment
- Emergent Transfer Prior to Treatment
- Emergent Transfer After Treatment
- All Transfers - ASC

- B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

**Response:** Allowing citizens the option of an ASTC will improve access to outpatient surgical services. In addition, this proposed ASTC plans to contract with all payers, including private, TennCare and Medicare.

The entry into the market of a high quality, lower cost environment for outpatient surgical services will enable the referring physicians and the patients to have an additional alternative for outpatient surgical services.

The physicians carefully screen prospective patients to ensure that they are appropriate candidates for outpatient surgery at an ASTC. Prior to surgery, patients receive a pre-op phone call from the ASTC. After the patients have surgery, they are provided with discharge instructions. There is also a follow-up call post-op to ensure that the patient's surgical recovery is going well. The pre-op and post-op calls are made by a nurse of the ASTC and patients have the opportunity to ask questions and receive answers. USPI tracks these calls at other centers and has an 80-90% contact rate for these calls. At a minimum, every patient is left a message and asked to call the nurse back.

- C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

**Response:** The costs for outpatient surgical procedures in an ASTC are lower than those in a hospital. Currently many residents in the Bartlett area drive to the Surgery Center at Saint Francis, an ASTC alternative, that is not as convenient as the facility proposed, or receive surgery at Saint Francis Hospital or SFH-Bartlett, which are inpatient hospitals.

Because the cost of outpatient surgeries performed in an ASTC are less than the those performed in a hospital, economic efficiencies will be achieved for those patients who make the decision to have surgery in the proposed facility.

Physician offices are generally in charge of scheduling the outpatient surgical services for their patients. They generally provide information to the patients as to their options for a facility to provide services. The approval of this ASTC will provide another option for patients and referring physicians.

- D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

**Response:** Some of the quality measures identified above, can be used to assist health care providers in providing services in accordance with the highest professional standards. Because the applicant measures and keeps track of the quality of care provided at the ASTC as identified above, improvement in the quality of care provided by the health care workforce will be achieved.

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

**Response:** The addition of an ASTC in this area of Shelby County, where none currently exists, will provide opportunities for employment for health care workers, including RNs, surgical technologists, and office staff.

Candidates are readily available from within the existing healthcare industry and the applicant's affiliated facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting

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professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

**PROOF OF PUBLICATION**

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

**Response:** Please see attached proof of publication which occurred in The Commercial Appeal on Sunday, June 10, 2018.

**NOTIFICATION REQUIREMENTS**

**(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)**

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

**DEVELOPMENT SCHEDULE**

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

**PROJECT COMPLETION FORECAST CHART**

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<b>Phase</b>	<b><u>Days Required</u></b>	<b><u>Anticipated Date [Month/Year]</u></b>
1. Initial HSDA decision date		August 2018
2. Architectural and engineering contract signed		November 2018
3. Construction documents approved by the Tennessee Department of Health	180	May 2019
4. Construction contract signed	30	June 2019
5. Building permit secured	30	July 2019
6. Site preparation completed	0	N/A
7. Building construction commenced	0	July 2019
8. Construction 40% complete	60	August 2019
9. Construction 80% complete	120	October 2019
10. Construction 100% complete (approved for occupancy)	150	November 2019
11. *Issuance of License		
12. *Issuance of Service		
13. Final Architectural Certification of Payment		December 2019
14. Final Project Report Form submitted (Form HR0055)		

\*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

**NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date**



**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Kim H. Looney, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

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SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of June, 2018, a Notary Public in and for the County/State of Tennessee.

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NOTARY PUBLIC

My commission expires, January 8, 2019.

**Attachment Section B, Economic Feasibility, Item A**

**Revised Project Costs Chart**

**Replacement Page 37**

## PROJECT COST CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	\$75,000
Legal, Administrative (Excluding CON Filing Fee),	
2. Consultant Fees	\$70,000
3. Acquisition of Site	
4. Preparation of Site	
5. Total Construction Costs	
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	\$2,919,831
9. Other (Specify) <u>Tenant Improvements</u>	\$3,093,777
10. Pre-Opening Expenses	\$479,683
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	\$1,945,418
2. Building only	
3. Land only	
4. Equipment (Specify) _____	
5. Other (Specify)	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify): <u>Working Capital</u>	\$1,000,000
D. Estimated Project Cost	
(A+B+C)	\$9,583,709.00
E. CON Filing Fee	\$55,106.34
F. Total Estimated Project Cost	
(D+E)	<b>TOTAL</b>
	\$9,638,815.34



**Attachment Section B, Economic Feasibility, Item D**

**Revised Projected Data Chart**

**Replacement Pages 42-43**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	1,659	3,223
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$4,148,881	\$8,262,202
3. Emergency Services		
4. Other Operating Revenue (Specify)		
<b>Gross Operating Revenue</b>	<b>\$4,148,881</b>	<b>\$8,262,202</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$539,354	\$1,074,086
2. Provision for Charity Care		
3. Provisions for Bad Debt	\$108,286	\$215,643
<b>Total Deductions</b>	<b>\$647,640</b>	<b>\$1,299,729</b>
<b>NET OPERATING REVENUE</b>	<b>\$3,501,242</b>	<b>\$6,972,473</b>
D. Operating Expenses		
1. Salaries and Wages	\$1,009,344	\$1,386,166
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$788,550	\$1,578,001
4. Rent		
a. Paid to Affiliates	\$214,500	\$222,600
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates	\$175,062	\$348,624
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$893,226	\$866,704
<b>Total Operating Expenses</b>	<b>\$3,080,682</b>	<b>\$4,402,094</b>
E. <b>Earnings Before Interest, Taxes and Depreciation</b>	<b>\$ 420,560</b>	<b>\$ 2,570,379</b>
F. Non-Operating Expenses		
1. Taxes	\$169,090	\$169,090
2. Depreciation	\$855,444	\$865,444
3. Interest	\$261,896	\$220,309
4. Other Non-Operating Expenses		
<b>Total Non-Operating Expenses</b>	<b>\$ 1,286,430</b>	<b>\$ 1,254,843</b>
<b>NET INCOME (LOSS)</b>	<b>(\$865,870)</b>	<b>\$1,315,536</b>

Chart Continues Onto Next Page

<b>NET INCOME (LOSS)</b>	<b>(865,871)</b>	<b>\$1,315,535</b>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$ 737,260	\$ 778,847
2. Annual Capital Expenditure		\$100,000
<b>Total Other Deductions</b>	<b>\$ 737,260</b>	<b>\$ 878,847</b>
<b>NET BALANCE</b>	<b>(\$ 1,603,131)</b>	<b>\$ 436,688</b>
<b>DEPRECIATION</b>	<b>\$ 855,444</b>	<b>\$ 865,444</b>
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	<b>(\$ 747,687)</b>	<b>\$ 1,302,132</b>

X ☐ Total Facility☐ Project Only**PROJECTED DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2019</u>	<u>Year 2020</u>
1. Repairs and Maintenance	\$166,000	\$174,500
2. Purchased Equipment	\$200,000	\$200,000
3. Minor Equipment	\$24,000	\$24,600
4. Utilities	\$135,000	\$138,375
5. Non-Medical Supplies and Expenses	\$300,000	\$230,625
6. Professional Fees	\$25,000	\$25,625
7. Sales Exp.	\$20,000	\$20,500
8. Insurance	\$23,226	\$46,479
<b>Total Other Expenses</b>	<b>\$893,226</b>	<b>\$860,704</b>

**Attachment Section B, Economic Feasibility, Item E-1**

**Replacement Page 44**

June 28, 2018

- E. 1) Please identify the project's average gross charge, average net charge, and average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,500.83	\$2,563.51	3%
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )	N/A	N/A	\$ 390.38	\$ 400.16	.5%
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )	N/A	N/A	\$2,110.45	\$2,163.35	3%

**Response:** The applicant projects that the average gross charge for the first year of operation is \$2,500.83, and \$2,563.51 for the second year of operation.

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**Response:** Since this project is for the relocation of an approved, but unimplemented CON, there are no current charges and therefore no adjustment to current charges as a result of the implementation of the project.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** USPI, or a related entity, has an ownership interest in 22 ASTCs in Tennessee and these charges are consistent with the charges at those facilities.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. **NOTE: Publicly held entities only need to reference their SEC filings.**

**Section B, Economic Feasibility, Item H, Staffing**

**Replacement Page 46**

June 28, 2018

3:29 P.M.

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

**Response:** Please see projected staffing and wages below.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>A. Direct Patient Care Positions</b>	Not applicable			
<i>Position 1: RN</i>		8.5	\$30.00/hr	\$27.02/hr
<i>Position 2 Techs</i>		3.5	\$25.00/hr	\$22.58/hr
<i>Position 3 MaterialsMgr</i>		1.0	\$22.00/hr	\$21.45/hr
<b>Total Direct Patient Care Positions</b>		13.0		

<b>B. Non-Patient Care Positions</b>	Not Applicable			
<i>Position 1: Adm</i>		1.0	\$100,000/yr	\$87,960/yr
<i>Position 2: Bus Office Mgr.</i>		1.0	\$50,000/yr	\$50,600/yr
<i>Position "etc.": Clerical</i>		3.0	\$13-20.00/hr	\$14.56/hr
<b>Total Non-Patient Care Positions</b>		5.0		
<b>Total Employees (A+B)</b>		18.0		
<b>C. Contractual Staff</b>		0.0		
<b>Total Staff(A+B+C)</b>		18.0		

- I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

**Response:** This project does not involve new construction. There are no viable alternatives to the provision of these necessary health care services other than the proposed facility. All of the existing multi-specialty ASTCs in Shelby County are either affiliated with and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12<sup>th</sup> largest city in the State of Tennessee and the 2<sup>nd</sup> largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

**Attachment B, Orderly Development, Items E**

**Replacement Pages 49-50**



- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

**Response:** Not applicable.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

**Response:** Not applicable.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

**Response:** Not applicable.

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

**Response:** No.

- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

**Response:** No.

- 2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

**Response:** No.

- b) Criminal fines in cases involving a Federal or State health care offense;

**Response:** No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

**Response:** No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

**Response:** No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

**Response:** No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

**Response:** No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

**Response:** No.

- h) Is presently subject to a corporate integrity agreement.

**Response:** No.**F. Outstanding Projects:**

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<b>Outstanding Projects</b>					
<b><u>CON Number</u></b>	<b><u>Project Name</u></b>	<b><u>Date Approved</u></b>	<b><u>*Annual Progress Report(s)</u></b>		<b><u>Expiration Date</u></b>
			<b><u>Due Date</u></b>	<b><u>Date Filed</u></b>	
CN1605-020A	Bartlett ASC, LLC	10/26/16	12/1/2017	2/1/18	12/1/2019

\*Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

**Response:** Please see chart above. The current approved project will expire on December 1, 2019. The applicant will turn in that CON upon the approval of this project.

**Attachment B, Orderly Development, Items F and G**

**Replacement Pages 50 and 51**

**Response:** No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

**Response:** No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

**Response:** No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

**Response:** No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

**Response:** No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

**Response:** No.

- h) Is presently subject to a corporate integrity agreement.

**Response:** No.**F. Outstanding Projects:**

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>CON Number</u>	<u>Project Name</u>	<u>Outstanding Projects</u>			
		<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1605-020A	Bartlett ASC, LLC	10/26/16	12/1/2017	2/1/18	12/1/2019

\*Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

**Response:** Please see chart above. The current approved project will expire on December 1, 2019. The applicant will turn in that CON upon the approval of this project.

June 28, 2018 4:28:29 PM

**Supplemental #1**

**June 28, 2018**

**3:29 P.M.**

- 2) Provide a brief description of the current progress, and state of each applicable outstanding CON.

**Response:** The applicant does not anticipate implementing CN1605-020A, but will turn the certificate in upon the final approval of this project.

- G. Equipment Registry-For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? \_\_\_\_\_

**Response:** This question is not applicable to the applicant, but St. Francis and St. Francis Hospital Bartlett (under common ownership with the applicant) do own, lease, operate, and/or contract for Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)

- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

**Response:** Yes, the registration for St. Francis was submitted on March 1, 2018, and the registration for St. Francis Bartlett was submitted on March 16, 2017.

- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

**Response:** Yes, the utilization for St. Francis was submitted on March 1, 2018, and the utilization for St. Francis Bartlett was submitted on March 8, 2017.

**SECTION B: QUALITY MEASURES**

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

**Response:** The applicant will report annually on measures and forms as prescribed by the Agency, pertaining to this CON if approved.

**SECTION C: STATE HEALTH PLAN QUESTIONS**

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning> ). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better

# Supplemental #2 (Original)

Bartlett ASC, LLC

CN1806-026



**Supplemental #2**

Waller Lansden Dortch & Davis, LLP  
511 Union Street, Suite 2700  
P.O. Box 198966  
Nashville, TN 37219-8966

**June 29, 2018**  
615.244.8380 main  
615.244.8984 fax  
1:31 P.M.  
wallerlaw.com

Kim Harvey Looney  
615.850.8722 direct  
kim.looney@wallerlaw.com

June 29, 2018

**VIA HAND DELIVERY**

Mark A. Farber  
Deputy Director  
Health Services and Development Agency  
Andrew Jackson State Office Building  
502 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, TN 37243

RE: Certificate of Need Application: CN1806-026 Bartlett ASC, LLC  
Additional Response and Clarification

Dear Mark:

This letter is submitted as additional information or clarification to our responses dated June 28, 2018, regarding the above-referenced CON application.

---

**3. Section A, Project Details, 6A. (Legal Interest in the Site)**

Your response to this item is noted. Please submit a revised fully executed Option to Lease that includes anticipated annual lease payments.

**Response:** The Option to Lease indicates it will be fair market value with a term of 10 years. The exact rent will not be determined until the buildout is complete, the costs are known, and the space is ready to be occupied. The total lease costs will be \$2,340,000. This increases the CON filing fee by an additional \$2,268.85. We are including a check for this amount. Please see a revised Option to Lease included as Attachment Section A, Project Details, 6A.

**13. Section B. Economic Feasibility Item F. (3)**

Please provide the requested Capitalization Ratio for Tenet Healthcare.

**Response:** Tenet Healthcare's Capitalization Ratio for 2017 is 95.8%.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim H. Looney

/Encls.

**Attachment Section A, Project Details, Item 6A**

**Option to Lease Agreement**



**OPTION TO LEASE AGREEMENT**

**THIS OPTION TO LEASE AGREEMENT** (the "Agreement") is made and entered into as of this \_\_\_\_\_ day of June 2018, by and between 7845 US Hwy 64, LLC ("Landlord") and Bartlett ASC, LLC, a Tennessee limited liability company ("Tenant").

**WITNESSETH**

**WHEREAS**, Landlord owns a building located at 7845 US Hwy 64, in Shelby County, Tennessee (the "Property"); and

**WHEREAS**, Landlord desires to enter into an option with Tenant whereby Landlord grants to Tenant the option to lease approximately 13,000 square feet of the Property (the "Leased Premises"), which option must be exercised as set forth below.

**NOW, THEREFORE**, for \$10 cash in hand paid and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**SECTION 1**  
**GRANT OF OPTION**

1.1 Landlord hereby grants to Tenant an exclusive option to lease the Leased Premises, upon the terms and conditions set forth herein (the "Option").

1.2 The term of Tenant's Option shall commence on the date hereof and shall continue for a period of six (6) months from the date hereof (the "Option Period"). The Option Period may be extended at any time prior to its expiration upon the mutual consent of the parties.

1.3 Tenant shall exercise its Option by delivering written notice to Landlord within the Option Period by Registered or Certified Mail, or in person.

1.4 Notwithstanding the foregoing, the Option shall automatically terminate if Tenant is not successful in obtaining a Certificate of Need to relocate its ambulatory surgical treatment center to the Leased Premises, from the State of Tennessee Health Services and Development Agency, on or before October 24, 2018, and provided the Agency's decision cannot be appealed.

**SECTION 2**  
**TERMS AND CONDITIONS OF THE LEASE**

2.1 Upon the exercise of the Option by Tenant as set forth herein, the parties agree to execute a formal lease agreement, subject to any terms and conditions contained in this Agreement and as mutually agreed upon by the parties. The parties expect that rent shall reflect the fair market value of the property and shall be approximately \$18.00 to \$18.50 per square foot, depending on the cost of improvements and the location in the building.

2.2 The initial term of Tenant's lease of the Leased Premises shall be for a period of ten (10) years (the "Term").

**SECTION 3**  
**MISCELLANEOUS PROVISIONS**

3.1 Any notices required or permitted herein shall be addressed as follows and delivered to the other party by either registered or certified mail, facsimile, or in person:

If to Landlord:

If to Tenant:

Bartlett ASC, LLC  
c/o USP Tennessee, Inc.  
15305 Dallas Parkway  
Suite 1600  
Addison, TX 75001  
Attention: Chief Legal Officer

**June 29, 2018**

**1:31 P.M.**

With a copy to:

United Surgical Partners International, Inc.

15305 Dallas Parkway

Suite 1600

Addison, TX 75001

Attn: James Bowden, Senior Corporate Counsel, Development

[Signature Page Follows on Next Page]

**June 29, 2018**

**1:31 P.M.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

**LANDLORD:**

**7845 Highway 64, LLC**

By: 

Name: Bruce P. Pergament

**TENANT:**

**Bartlett ASC, LLC**

By: USP Tennessee, Inc., its Sole Member

By: 

Name: Erik Kraemer

Its: Vice President

**Attachment Section B, Economic Feasibility, Item A**

**Revised Project Costs Chart**

**Replacement Page 37**

## PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees		\$75,000
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees		\$70,000
3. Acquisition of Site		
4. Preparation of Site		
5. Total Construction Costs		
6. Contingency Fund		
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)		\$2,919,831
9. Other (Specify) <u>Tenant Improvements</u>		\$3,093,777
10. Pre-Opening Expenses		\$479,683
B. Acquisition by gift, donation, or lease:		
1. Facility (inclusive of building and land)		\$2,340,000
2. Building only		
3. Land only		
4. Equipment (Specify) _____		
5. Other (Specify)		
C. Financing Costs and Fees:		
1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify): <u>Working Capital</u>		\$1,000,000
D. Estimated Project Cost		
(A+B+C)		\$9,978,291.00
E. CON Filing Fee		\$57,375.19
F. Total Estimated Project Cost		
(D+E)	<b>TOTAL</b>	<b>\$10,035,666.19</b>

4835-7685-1564.1

**Supplemental #2**

**June 29, 2018**

**1:31 P.M.**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: BARTLETT ASC, LLC

I, KIM H. LOONEY, ESQ., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

*Kim Looney Esq. with permission*  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29<sup>TH</sup> day of June, 2017, witness my hand at office in the County of Davidson, State of Tennessee.

*Samuel Glass*  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires : January 8, 2019

HF-0043

Revised 7/02

